

**Name of the Ministry : Ministry of Power
& Energy**

**Name of the Institution : Lanka Coal
Company (Pvt) Ltd**

Publication serial No. : 175

**Submission of observations of Hon. Minister
and steps taken with regard to the report
tabled by the committee on public
enterprises in term of standing order No
120(4).**

Measures taken by Lanka Coal Company (Pvt) Ltd Regarding the Special Audit Report Considered by the Committee on Public Enterprises on the Evaluation of the Process of Coal Procurement for the Lakvijaya Coal Power Plant for the period of 2022-2025 and on the Matters Investigated

As per the special audit report prepared by the National Audit Office on the evaluation of the process of coal procurement for the Lakvijaya coal power plant for the period 2022-2025, 08 recommendations have been made for formalizing the coal procurement process. The Committee on Public Enterprise (COPE) in its meeting held on 09.11.2022 has approved the aforementioned recommendations. Accordingly, instructions were given to Lanka Coal Company (Pvt) Ltd to comply with the aforementioned recommendations in respect of all the tenders floated since November 2022 and the progress of the implementation of the recommendations were up to the satisfaction of me. I am in the agreement of the content of the report submitted by the Chairman, Lanka Coal Company (Pvt) Ltd which reflects the implementation of 08 recommendations of the Auditor General.

Further, the report submitted by Lanka Coal Company (Pvt) Ltd is recommended for tabling at the parliament as directed by the COPE in its report on the evaluation of the process of coal procurement for the Lakvijaya coal power plant for the period of 2022-2025.



Dr. Sulakshana Jayawardena

Secretary

Ministry of Power and Energy

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Secretary

Ministry of Power and Energy

No 80, Sir Ernest De Silva Mawatha,
Colombo 7.

Second Report of the Committee on Public Enterprises - Lanka Coal Company (Pvt) Ltd.

Lanka Coal Company (Pvt) limited follows the following procedure in the procurement of coal. Coal is procured through long-term tenders and spot tenders from among the registered coal suppliers. The coal requirement of one season will be supplied in two seasons through long term tender and the balance of coal requirement per season (excluding the amount obtained from long term tender) will be procured through spot tender. For example, if the requirement of coal in one season is 2,250,000 MT, then 1,125,000 MT will be procured in one season from the long-term tender and the rest through spot tenders.

Registration of suppliers

The registration of qualified suppliers for the procurement of coal is done first in accordance with the procurement guidelines. There the valid registration period of a supplier is 03 years and after that, the supplier has to register again if he expects to supply in the future.

The following criteria are considered for registration as a coal supplier. Regarding these applicant companies, the Sri Lankan foreign mission of the respective country will verify whether the company is an existing company in the respective state. A supplier is registered for a period of three years after receiving a non-refundable deposit of USD 5,000. Currently, there are 17 providers registered in this way. Another 16 companies are on the waiting list for registration. Applications are accepted for registering new suppliers on Mondays every week and the bid opening committee appointed for immediate procurement will open the applications the special technical evaluation committee (Spot Tender TEC) will check the qualifications and only if they match the relevant criteria SSCAPC will be approved. After USD 5000 deposit is taken and registration is done.

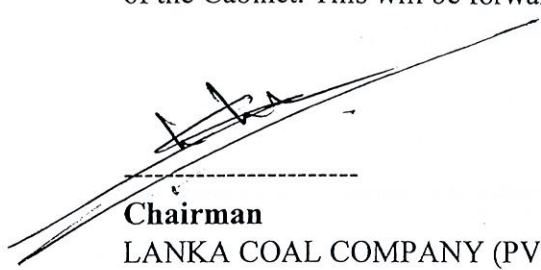
Long term procurement

The one season coal requirement is 2,250,000MT (plus or minus 10%) quantity of coal for procurement in two seasons through tender process (International Limited Bidding) after inviting bids from registered suppliers. Here, competitive bids are invited from registered suppliers and those bids are forwarded to a technical evaluation committee. The Technical Appraisal Committee report will be forwarded to the Standing Procurement Committee appointed by the Cabinet. The other bidders will be informed about the lowest evaluated responsive bidder and the line ministry secretary will be informed to unsuccessful bidders to present their objection if any.

Spot Tender

As per the Cabinet decision dated 22.07.2015, immediate purchase tenders will be implemented. Here, apart from the quantity obtained through the long-term tender, the remaining quantity is procured through immediate procurement. A single immediate procurement will supply approximately 300,000 metric tons (with 10% ore) of aggregate (about 05 shiploads). Here too, bids are invited from among the registered suppliers. The bids submitted there will be evaluated after referring them to the Standing Technical Evaluation Committee. Bids evaluated by the

Technical Appraisal Committee shall be approved by the Special Standing Procurement Committee appointed by the Cabinet. After the approval of the Special Standing Procurement Committee appointed by the Cabinet, the relevant tender will be awarded subject to the approval of the Cabinet. This will be forwarded to the next cabinet meeting for approval.



Chairman

LANKA COAL COMPANY (PVT) LTD

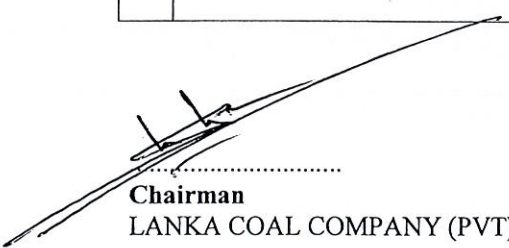
Chairman
Lanka Coal Company (Pvt) Ltd.

Steps taken by Lanka Coal Company (Pvt.) Ltd. regarding the Special Audit Report and the matters investigated by the Committee on Public Enterprises regarding the Special Audit Report on the evaluation of the coal-purchase procurement process for the period of 2022-2025 for Lakwijaya Coal Plant at Norochcholai

	Recommendations presented by the Committee on Public Enterprises	Steps taken by the Lanka Coal Company (Pvt.) Ltd.
01	It is emphasized the need to ensure that all parties involved in the coal procurement process fulfill their responsibilities correctly in accordance with the government's approved procurement guidelines and to take appropriate action against the parties who deviate from that situation.	The relevant parties have been advised to fulfill their responsibilities properly in accordance with the procurement guidelines. Cabinet approval will be obtained only if it is necessary to deviate from it due to special circumstances.
02	Without any prejudice to the objectives mentioned in paragraph 1.2 of the Procurement Guidelines and to protect the basic requirements of the suppliers including financial viability, experience, quality of supply, reasonable legal obligations, the process of registration of bidders should be relaxed to an acceptable level and focus should be placed on maximizing competition.	Necessary steps in this regard have already been taken. Amendments have been made without prejudice to the objectives set out in Article 1.2 of the Code of Procurement Guidelines and to protect the basic interests of suppliers. This has increased competitiveness by allowing a relevant coal supplier with 03 years of experience to participate and eased the registration process to an acceptable level. If there is experience of supplying coal not only to Sri Lanka but also to other countries, those circumstances have also been taken into consideration.
03	When making an amendment to the bid documents, such amendments should be made after verifying the legality of such amendments so as not to prejudice the relevant confirmations and obligations, and it should be ensured that other clauses and agreements of the bid document are amended to match the said amendment. Any forceful revision of the bid documents after the invitation of bids shall be avoided whenever possible. When subsequent revisions to the bid documents are made, measures shall be taken to provide reasonable time for the bidders to comply with such revisions.	Attention has been drawn to this and accordingly, arrangements have been made to give reasonable time to all bidders and to avoid such amendments in procurement as per the provisions of 5.3.15 of the procurement guidelines. In case any such amendments are required to be made to the tender documents, arrangements have been made to give reasonable time to all suppliers to comply with such amendments.

04	In the case of coal procurement, the procurement plan that should be prepared according to the Guidelines should be prepared completely and properly, and, it should be approved and adhered to, also, attention should be paid to the ability to reach a prior agreement relating to financial supply to ensure timely supply of coal.	2022 Master Procurement Plan has been approved on 29 /12/2021 and 2024 Master procurement plan has been approved on 07/12/2023 by the board of directors.
05	If procurement is being carried out with a collection of suppliers than one supplier, approval has been provided to initiate procurement affairs by providing opportunity for the already registered suppliers to participate in the procurement. It is recommended that the minimum basic qualifications considered by the Coal Company in the registering process of a supplier to evaluate the supplier's financial and technical feasibility, should be included in the bid documents as the criteria for evaluating the bidders when initiating an Open International Bidding Process.	After paying attention in this regard, the Coal Company has now included the minimum basic qualifications in the bid documents, which will be used to evaluate the financial and technical viability of a supplier while starting an open international tender process. This situation does not affect the receipt of bids from registered suppliers. Section 2.8 of the Eligibility Criteria has been included in the Open International Bidding Document.
06	In determining the composite indices related to coal procurement, the regional indices used to prepare the indices should be reconsidered in time so that the government can get the maximum economic advantage.	The relevant departments have been informed to pay attention to this. Also, the Coal Company has arranged to obtain further observations on this from the Department of Population and Statistics regarding the use of the most favorable indicators for the country in case of uncertainty. Furthermore, the University of Colombo has also been requested to observe this and by reviewing all the regional indexes in a timely manner, the necessary plans have been prepared to carry out the procurement activities based on the most favorable indexes.
07	In the Cabinet decision dated September 22, 2022, approval was given to start the procurement activities by following the Open International Bidding Process and giving the opportunity to the currently registered suppliers to participate in the procurement. When initiating an Open International Bidding process, it is recommended that the minimum basic qualifications considered by the Coal Company in the registering process of a supplier to evaluate the supplier's financial and technical feasibility,	Answers have been given in Item No. 05 in this regard.

	should be included in bidding documents as the criteria for evaluating bidders.	
08	Ordering the relevant officials to submit the correct information without delay so that the Cabinet of Ministers receives sufficient time to conduct the necessary studies and obtain information that would enable them to provide the most optimal approvals in relation to this procurement.	Actions are being taken accordingly.


Chairman

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