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GENERAL NOTICES

NOTICE 1517 OF 2009

Department of Energy

DRAFT WORKING RULES TO SET THE MONTHLY MAXIMUM WHOLESALE AND RETAIL PRICE FOR LIQUEFIED PETROLEUM GAS FOR PUBLIC COMMENTS

1. I, Ms. Dipuo E Peters, Minister of Energy, hereby invite comments to be submitted to the Department on the working rules to set monthly maximum wholesale and retail price for Liquefied Petroleum.
2. Comments must be submitted in writing.
3. Comments can be hand-delivered, posted, facsimiled or e-mailed to the Department.
4. Physical address: Department of Energy
Mineralia Centre
234 Visagie Street (c/o Andries and Visagie)
Pretoria
5. Postal address: Department of Energy
Private Bag X59
Pretoria
0001
For attention of
Mr. Letladi Phaahlamohlaka, Room F402;
or
Mr. Jabulani Ndlovu, Room F415
6. Facsimile Number: (012) 317 8961
7. E-mail address: Letladi.Phaahlamohlaka@dme.gov.za
Jabulani.ndlovu@dme.gov.za
8. Comments must be submitted to the Department of Energy not later than 16h30, 07 December 2009.

DRAFT WORKING RULES TO SET THE MONTHLY MAXIMUM WHOLESALE AND RETAIL PRICES FOR LIQUEFIED PETROLEUM GAS (LPGas)

The maximum retail price for a kilogram of LPGas in each LPGas pricing zone will include the following pricing elements:

- Maximum Refinery Gate Price (MRGP) for LPGas;
- Primary transport costs (zone differential);
- Operating expenses;
- Working capital;
- Depreciation
- Final distribution costs;
- Wholesale margin; and
- Retail margin.

2. Maximum Refinery Gate Price

- 2.1 The Maximum Refinery Gate Price (MRGP) of LPGas will be determined in line with Regulation No. 1029 of 31 July 2002.
- 2.2 The MRGP of LPGas is based on the average monthly Basic Fuels Price (BFP) of 93 octane Lead Replacement Petrol (LRP). The BFP of 93 LRP is calculated in **South African cents per litre** in line with the Working Rules to administer the Basic Fuels Price.
- 2.3 The price of 93 LRP in South African cents per litre is converted to an LPGas price in South African Rands per ton as follows:
Basic Fuels Price of 93 LRP in Rands per litre/0.75*1000 less R74.00/ton=Rands per ton.
- 2.4 The maximum refinery gate price/kg is determined as follows:
 - Maximum refinery gate price per ton/1000=Maximum refinery gate price per kg.

3. Primary transport cost (zone differential)

Primary transport refers to the transportation of LPGas in bulk to a cylinder-filling plant from the nearest coastal refinery. Bulk LPGas is transported by rail or road. The most cost efficient mode of transport will be used to determine the primary transport costs in each of the LPGas pricing zones and these rates will be adjusted annually from the first Wednesday in April each year and be published on the website of the Department of Energy.

- 4. Operating expenses (excluding stock costs and depreciation)**
 Operating expenses will be based on a cylinder filling plant with a capacity of **35,000 kilograms per month** and the following operating expenses will be allowed:

4.1 Personnel	Expenditure (Rands)
4.1.1 Manager (1)	25,000
4.1.2 Admin staff (2)	13,000
4.1.3 Plant operator (1)	3,800
4.1.4 Driver (1)	4,800
4.1.5 Handler (2)	8,000
4.1.6 Secretary (1)	3,800
4.1.7 Company contribution	4236
4.1.8 Other (e.g. owners salary, IT, tel.)	<u>39,000</u>
TOTAL	<u>101,636 or 290 c/kg</u>

4.2 Transport (Secondary transport)	Expenditure
4.2.1 Fuel costs	15,860
4.2.2 Maintenance	4,100
4.2.3 Insurance	<u>5,000</u>
TOTAL	<u>24,960 or 0.713 c/kg</u>

5. Working capital

5.1 Trade debtors for a period 45 days:	20.0 c/kg
5.2 Stock costs (10 days):	6.0 c/kg
Trade debtors	26.0 c/kg

6. Depreciation

(Total assets-Land)/120 months/35,000kg	126 c/kg
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7. Gross Margin: Cylinder filling plant

7.1 The following allowable assets for a 35,000 kg cylinder-filling plant will be included to determine the gross margin:

Asset	Value (Rands)
7.1.1 Site	1,050,000
7.1.2 Building	2,100,000
7.1.3 Plant	400,000
7.1.4 9 kg cylinders (6200xR330)	2,046,000
7.1.5 19 kg cylinders (1658xR500)	829,000
7.1.6 48 kg cylinders (730xR800)	584,000
7.1.7 Vehicles	800,000
	7,809,000
7.1.8 <u>Less</u> deposits (8,588 xR150.00)	<u>1,459,960</u>
TOTAL	<u>6,349,040</u>

ROA (wholesale margin) = $R6,349,040 \times 15\% = R952,356 / 12 = R79,363$ or **227 c/kg**

8. Wholesale Price

8.1 The maximum wholesale list price (**excluding the deposit of the cylinder**) will be the sum of:

- The Maximum refinery gate price;
- Primary transport costs;
- Operating expenses;
- Secondary transport cost;
- Working capital;
- Depreciation
- Gross margin

9. Retail margin

The maximum retail margin is limited to 120.0 c/kg.

10. Maximum retail price

The maximum retail price of LPGas in each LPGas Pricing Zone will be limited to the sum of the above elements.

11. Deposits on cylinders

Deposits on 9-kg cylinders will be limited to a maximum amount of 45% of the cost of a 9-kg cylinder and will be adjusted annually.

12 Summary of price in Rands:

• Maximum refinery gate price:	5.66
• Primary transport:	0.45
• Operating expenses:	2.90
• Secondary transport:	0.72
• Working capital	0.26
• Depreciation	1.26
• Gross margin:	2.27
• Retail margin	<u>1.20</u>
TOTAL price/kg	14.72
TOTAL price/litre	<u>8.10</u>

13 Price changes

Normal price adjustments will come into effect every first Wednesday of each month. The adjustments will be based on the movement in the drivers of the various elements of the price determination formula.

14 Monitoring and enforcement

The DoE will from time to time monitor the industry to establish compliance to the determined pricing. This monitoring may include any surveys or use of any stakeholder bodies in consultation with Industry.

NOTICE 1518 OF 2009**DEPARTMENT OF ENERGY****DRAFT REGULATIONS IN RESPECT OF THE MAXIMUM RETAIL PRICE OF LIQUIFIED PETROLEUM GAS SUPPLIED TO RESIDENTIAL CUSTOMERS FOR PUBLIC COMMENTS**

1. I, Ms Dipuo E Peters, Minister of Energy, hereby invite comments to be submitted to the Department on the draft Regulations in respect of the maximum retail price of Liquefied Petroleum Gas supplied to residential customers.
2. Comments must be submitted in writing.
3. Comments can be hand-delivered, posted, facsimiled or e-mailed to the Department.
4. Physical address: Department of Energy
Mineralia Centre
234 Visagie Street (c/o Andries and Visagie)
Pretoria
5. Postal address: Department of Energy
Private Bag X59
Pretoria
0001
For attention of:
Mr. Letladi Phaahlamohlaka, Room F402
or
Mr. Ndlovu Jabulani, Room F415
6. Facsimile Number: (012) 317 8961
7. E-mail address: letladi.phaahlamohlaka@dme.gov.za
jabulani.ndlovu@dme.gov.za
8. Comments must be submitted to the Department of Energy not later than 16h30, 07 December 2009.

GOVERNMENT NOTICE

DEPARTMENT OF ENERGY

No. R.

...2009

PETROLEUM PRODUCTS ACT, 1977

**DRAFT REGULATIONS IN RESPECT OF THE MAXIMUM RETAIL PRICE OF
LIQUIFIED PETROLEUM GAS SUPPLIED TO RESIDENTIAL CUSTOMERS**

The Minister of Energy, has under section 2(1)(c) of the Petroleum Products Act, 1977 (Act No. 120 of 1977), made the draft regulations in the Schedule.

SCHEDULE

Definitions

In these Regulations, any word or expression to which a meaning has been assigned in the Act shall have the meaning so assigned and, unless the context otherwise indicates-

"cylinder" means a vessel under pressure of not more than 48 kg capacity used to contain liquefied petroleum gas and conforms to the South African National Standard, *Transportable metal containers for compressed gas - Basic design, manufacture, use and maintenance, SANS 10019:2001*;

"cylinder filling plant" means a facility or premises where liquefied petroleum gas is received in bulk and is then filled into cylinders for supply to residential customers, and conforms to the South African National Standard, *The handling, storage, distribution and maintenance of liquefied petroleum gas in domestic and industrial installation, SANS 10087*,

"DOE" refers to the Department of Energy of South Africa;

"LPG pricing zone" means those magisterial districts with similar transport costs from the nearest coastal refinery or designated port of entry grouped into Magisterial District Zones;

"margin" refers to gross margin;

"maximum refinery gate price" means the refinery gate price of liquefied petroleum gas determined in terms of Regulation No.1029 of 31 July 2002 also referred to as the Basic Fuels Price of liquefied petroleum gas;

"residential customer" means any end-user that purchases liquefied petroleum gas in cylinders for residential use;

“the Act” means the Petroleum Products Act, 1977 (Act No. 120 of 1977), as amended; and

“*Working Rules*” means the rules used to determine the Basic Price of Fuels, distribution costs, wholesale and retail margins as published on the website of the DOE.

Maximum retail price of liquefied petroleum gas

1. (1) Any person selling liquefied petroleum gas from any outlet to a residential customer, must do so at a price that is equal to or less than the maximum retail price of liquefied petroleum gas as determined in terms of subregulation (2).

(2) The maximum retail price of liquefied petroleum gas must be determined by adding-

- (a) the maximum refinery gate price;
- (b) costs associated with the transport of liquefied petroleum gas from the nearest coastal refinery to the cylinder filling plant concerned;
- (c) a margin determined from costs associated with the operation, marketing and wholesaling of liquefied petroleum gas from the cylinder filling plant concerned, including a return on assets;
- (d) reasonable costs associated with the transportation of liquefied petroleum gas from the cylinder filling plant to the residential customer designated to be supplied by the specific cylinder filling plant in question in terms of the licensing system envisaged by section 2(F) of the Act;

(3) Costs contemplated in sub-regulation (2)(b) must be based on the most economic and available mode of transport as published on the DOE website for all liquefied petroleum gas pricing zones;

(4) Primary and secondary distribution costs contemplated in sub-regulation 2(b) and (d), respectively, must be determined in accordance with a methodology that is set out in the Liquefied Petroleum Gas Working Rules.

- (5) The margin contemplated in sub-regulation (2)(c), must recover all reasonable costs associated with-
- (a) the storage of liquefied petroleum gas ;
 - (b) the operation of the cylinder filling plant;
 - (c) the maintenance of the facilities associated with the cylinder filling plant, and
 - (d) capital assets including a return on investment in capital assets.
- (6) In respect of the margin contemplated in sub-regulation (2)(c) the DOE must -
- (a) determine and set the margins based on the relevant data which will be supplied by licensees as envisaged by section 2(1)(f) of the Act in terms of the Liquefied Petroleum Gas Working Rules, and
 - (b) publish guidelines relating to the provision of such data.
- (7) Costs associated with storage must be based on a pre-determined number of days of stockholding and the financing costs thereof as set out in the Working Rules;
- (8) The average margin of the licensees as envisaged by section 2(1)(f) of the Act must be reviewed annually based on the audited financial data submitted in terms of the Liquefied Petroleum Gas Working Rules.
- (9) The DOE must publish the maximum retail price of liquefied petroleum gas supplied to residential customers in the Government Gazette monthly.
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