
GENERAL NOTICE

NOTICE 394 OF 2008

DEPARTMENT OF MINERALS AND ENERGY

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

1. I, Ms Buyelwa P Sonjica, Minister of Mineral and 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, and facsimiled or e-mailed to the Department.
4. Physical address: **Department of Minerals and Energy
Mineralia Centre
234 Visagie Street (c/o Andries and Visagie Streets)
Pretoria**
5. Postal address: **Department of Minerals and Energy
Private Bag X59
Pretoria
0001
For attention of Mrs E. Marabwa, Room F403
Mr T.Zide, Room F404**
6. Facsimile Number: (012) 320 2105 / 322 8570
7. E-mail address: elizabeth.marabwa@dme.gov.za
teboho.zide@dme.gov.za
8. Comments must be submitted to the Department of Minerals and Energy not later than **16h30, 25 April 2008**.

DEPARTMENT OF MINERALS AND ENERGY

No.

Date

**PETROLEUM PRODUCTS ACT, 1977
(ACT NO. 120 of 1977)**

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

I, Buyelwa Patience Sonjica, Minister of Minerals and Energy, hereby make the draft regulations in terms of section 2(1) (c) of the Petroleum Products Act, 1977 (Act No. 120 of 1977) as set out in the Schedule.

SCHEDULE

Definitions

1 In these regulations, any word or expression defined in the Petroleum Products Act, 1977 (Act No. 120 of 1977), as amended (hereinafter referred to as "the Act") shall bear the meaning so assigned to it and, unless the context indicates otherwise-

"**bulk**" means 1,500 kg or more, per transaction of LPG;

"**cylinder**" means a vessel under pressure as defined in the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993), as amended, used to contain LPG 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 LPG is received in bulk and is then filled into cylinders for delivery 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;

"**DME**" refers to the Department of Minerals and 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 price of LPG as per prescripts of the Regulation in Respect of the Refinery Gate Price of Liquid Petroleum Gas, Regulation

No. 1029 of 31 July 2002 or its successors; also referred to as the Basic Fuels Price (BFP) of LPG;

"residential customer" means any end-user that purchases LPG 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, Wholesale and Retail Margins as published on the website of the DME.

- 2 (1) Any person selling LPG 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 LPG as set out in this schedule;
- (2) the maximum retail price for LPG must be determined by adding-
- (a) the maximum refinery gate price;
 - (b) reasonable costs associated with transport from the nearest coastal refinery to LPG filling plants;
 - (c) a margin determined from costs associated with the marketing and wholesaling of LPG;
 - (d) a margin determined from costs associated with the filling and retailing of LPG; and
 - (e) reasonable costs associated with the distribution of LPG from the cylinder filling plant to the residential customer;
- (3) Costs contemplated in sub-regulations (2)(b) and (2)(e) must be based on the most economic and available mode of transport as published on the DME website for all LPG pricing zones;
- (4) The margins contemplated in sub-regulation (2)(c) and (2)(d) must recover all reasonable costs associated with-
- (a) the storage of LPG;
 - (b) the respective operation;

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- (c) the maintenance of the facilities associated with the respective operation; and
 - (d) capital costs, including a reasonable return, associated with the cylinder filling plant;
- (5) In respect of the margins contemplated in sub-regulations (2)(c) and (2)(d) the DME will-
- (a) determine and set the margins based on data provided, by the licensees, in terms of section 12C(1)(a)(vi) of the Act read with licensing regulations; and
 - (b) publish guidelines relating to the provision of such data by the licensees;
- (6) Costs associated with storage will be based on a pre-determined number of days of stockholding and the financing costs thereof as set out in the Working Rules;
- (7) Allowable operating and maintenance costs will be-
- (a) calculated based on industry average costs submitted by LPG licensees to the Department in line with the LPG Regulatory Accounts Manual requirements; and
 - (b) reviewed at least once per annum in consultation with the LPG industry;
- (8) Distribution costs from cylinder filling plant to residential customers will be based on road freight rate assessments of the Road Freight Association over a 20 kilometre radius from the filling plant.
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