

Regulator limits how much public will cough up for fuel pipeline

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31 Mar 2016

New assets accumulated in the construction of Transnet's New Multi-Product Pipeline (NMPP) will not be included in the company's future tariff increase applications until the project is completed in 2019.



Roger Davies via [Wikimedia Commons](#)

The National Energy Regulator of SA (Nersa), which approves tariffs for the petroleum pipeline system, said yesterday it had capped the cost of assets to be included in the project at R26.2bn, a figure based on Transnet's 2015-16 estimate of the total project cost.

Nersa said it had placed a hold on the inclusion of assets above the R26.2bn mark due to the uncertainty and "many changes" in the costs and the timing of Transnet's forecasts for the NMPP. However, Transnet has already projected the cost of the project to be R29.5bn.

The regulator's decision means Transnet will not be able to pass on future cost escalations above R26.2bn through increased tariffs and higher fuel prices. The NMPP cost has almost tripled from an initial cost of R11bn when it began, due to delays.

Transnet said yesterday it was on track to make the NMPP a multi-product system by November, carrying jet fuel, diesel and petrol. At present, it carries only diesel. The new 555km pipeline replaces the 48-year-old version and has a 70-year design life. It is meant to transport 93-grade and 95-grade unleaded petrol, diesel and jet fuel.

"We welcome the regulator's decision, which is in accordance with the agreed methodology," said Transnet spokesman Mboniso Sigonyela.

Prudently acquired assets

Rod Crompton, Nersa regulator member primarily responsible for petroleum pipelines, said yesterday the regulator was concerned at the increasing cost of the project. "The estimates that Transnet has given in the past for individual line items sometimes go up and sometimes go down," he said.

"As a regulator, we can only allow prudently acquired assets. We are busy with an investigation into whether the assets were prudently acquired."

Yesterday, Nersa also approved an 18.56% increase in Transnet's petroleum pipeline system tariff for 2016-17. The increase will result in a 5.4c per litre rise in the petrol price in Gauteng. The tariff increase followed Transnet's application last month of a 21.3% tariff increase on the petroleum pipeline, a cost payable by all major oil companies in SA.

Last year, Nersa approved a 6.9% increase in Transnet's petroleum pipeline tariffs for the 2015-16 financial year.

Source: Business Day

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