



PETROSA (SOC)

Storage Facility Allocation Mechanism

2020

DRAFT

1. Executive Summary

This document defines PetroSA's allocation mechanism required by the Pipelines Petroleum Act (2003) detailed in the Government Gazette, 4 APRIL 2008. The following main principles define how PetroSA will allocate spare capacity to third parties at storage facilities licensed under the Act.

- **Spare capacity determination:** Spare capacity defined by NERSA as uncommitted capacity is constrained by PetroSA's replenishment cycle. PetroSA has therefore used a replenishment cycle model to determine each facility's uncommitted capacity that will be available to third parties.
- **Tariff schedule:** PetroSA have applied for a maximum tariff for each storage facility, see Annexure A for details.
- **Access rules and requirements:** Third parties requiring access to a PetroSA storage facility are required to meet the following key criteria prior to gaining access:

1. Contractual Terms & conditions for payments
2. Vehicle Vetting Process
3. Product Specification
4. EDI compliant
5. Agree on the MOC process

- **Allocation rules:** PetroSA will make available uncommitted or unused spare capacity at its depots to both Refining and Non-Refining Wholesalers with preference given to HDSA Wholesalers. The applications will be considered as follows:

- first come first served basis
- use it or lose it

- **Quality and technical specifications**

All fuels have to meet quality specifications as set out in Annexure A, and these will be amended from time to time by PetroSA Product Specialist.

- **Adherence to applicable laws and regulations**

The third party warrants that it is and will always be in compliance with all laws and policies applicable to the distribution and handling of petroleum products, including, but not limited to, all South African Revenue Service (SARS), Department of Minerals Resources and Energy (DMRE), Nersa (National Energy Regulator of South Africa) and Department of Trade and Industry (DTI) requirements.

The third party must at all times adhere to PetroSA's Bloemfontein depot SHEQ

(Safety, Health, Environmental and Quality) rules and policies.

2. Tariff schedule

PetroSA submitted their tariff schedule on the The provisional tariffs per facility will be included in Annexure A. The provisional tariff PetroSA will charge until such a time that a NERSA approved tariff is available is included in Annexure A.

3. Spare capacity determination mechanism

3.1. Definition of uncommitted capacity

Per the Pipelines Petroleum Act (2003) the definition for uncommitted capacity is: capacity determined by the Authority that is not required to meet contractual obligations.

PetroSA will make available uncommitted or unused spare capacity at its depots to both Refining and Non-Refining Wholesalers with preference given to HDSA Wholesalers. The applications will be considered as follows:

first come first served basis which imply that applications from 3rd parties that comply to all requirements as stipulated in this document will be approved, if uncommitted available capacity is available;

use it or lose it which imply that if the 3rd party is not utilizing the capacity, the capacity will be re-allocated In order to ensure the facility capacity is optimized, PetroSA will implement monitoring systems to ensure that tenant/s utilize capacity as set out in the agreement. A tenant that defaults on this arrangement by failing to utilize its share of allocated capacity shall forfeit it to a qualifying applicant whose requirement may not have been met due to capacity unavailability.

3.2. The replenishment cycle model

The replenishment cycle is the rate at which product is supplied to a storage facility, via pipeline, rail, ship or road. For replenishment to occur by these modes the product entering into the facility will need to be verified as compliant with the product specifications set out in this document. It being noted that:

- For pipeline replenishment, Transnet provide assurance on the product quality and therefore no further testing of the product is required before discharge into the facility.
- For rail replenishments, provided the Rail Tank Cars (RTC) are loaded by PetroSA or its agent, and the seals are intact at the receiving depot, no further testing of the product is required before discharge into the facility.

- Where PetroSA or its agent does not load the RTC, or the seals have been altered, PetroSA reserves the right to isolate the product pending testing thereof by a PetroSA appointed agents at the product owner's expense.
- For road replenishments, provided the road tankers are loaded by PetroSA or their agent, and the seals are intact at the receiving depot, no further testing of the product is required before discharge into the facility.

Where PetroSA or its agent does not load the road tanker, or the seals have been altered, PetroSA reserves the right to isolate the product pending testing thereof by a PetroSA appointed agent at the product owner's expense.

- For ship replenishments, the standard rules will apply as for any imports. Product will be tested and required to be compliant with the specifications prior to discharge.

In all cases, PetroSA reserves the right to refuse the discharge of product into a facility for technical, commercial or safety reasons. Such reasons shall be supplied to the product owner.

The replenishment cycle is calculated on a weekly basis. The uncommitted capacity will be determined by product by facility and is the rate, at which a facility is replenished less any committed capacity less a reasonable buffer throughput capacity,

The buff throughput capacity is facility specific and is determined according to structure and constraints of each facility.

Committed capacity is throughput capacity reserved for PetroSA's own use and third parties for which PetroSA is contractually obligated to provide.

The following table is an example of the above model. Table 1:

Replenishment cycle /week	Product (mil Litres)
Road	100
Rail	200
Pipeline	300
Ship	-
Replenishment capacity	600
Less PetroSA capacity	(300)
Less Committed contracted capacity	(150)
Less Buffer capacity	(100)
Uncommitted capacity	so

4. Access requirements to the facility

All parties requiring access to a PetroSA facility are required to comply with the following criteria before they are granted access to a facility. The following criteria are covered in detail in the attached contract (Annexure B). The process to request access by a third party is covered in Annexure E.

4.1. Contractual Terms & conditions for payments

Contractual terms and payment processes shall be handled according to the attached draft document. This document outlines the framework for the Throughput Agreement to be entered into.

4.2. Anti-Corruption Due Diligence

PetroSA Group policy requires that all parties with which PetroSA holds a business relationship must be vetted prior to entering into a contractual relationship with PetroSA. Should the party in question fail to meet the requirements of PetroSA 's vetting protocol no further business activity will be conducted with that party.

The vetting process includes the following criteria:

- Credit vetting
- Anti Money Laundering
- Anti Bribery vetting
- Legal Contract
- HSE Vetting

4.3. Custody of Petroleum products

PetroSA as the host, shall manage stock at the depot as such, risk for product losses shall be borne by the party responsible for arranging or contracting the product replenishment transport.

The volume of product received shall be measured by the mass flow meters at the depot (or dipping of tanks). Dispatch quantities will also be measured via the flow meters at the gantry. PetroSA shall report on the host's product movement and stock balances on a daily and monthly basis.

5. Product Specification

Product entering a PetroSA facility must comply with the following specifications:

- All petrol grades to meet SANS 1598-2006 specifications

- All diesel grades to meet SANS 342-2006 specifications
- IP to meet SANS 1913-2008 specifications.

It being noted further that PetroSA does not allow for the use of heavy metals, ethers and oxygenates in fuel storage at PetroSA facilities without prior written consent from the Supply & Logistics Manager or his/her designate.

Further, PetroSA approved product specifications are subject to change and any changes will be communicated to third parties accordingly.

5.1. Electronic Data Inter-change compliant

All parties are required to be compliant with the Electronic Data Interchange (EDI) model and standards applicable to Industry. This is essential as PetroSA manages product, payments and other transaction use specific systems, which all parties requiring access to a facility need to be aligned with. This will ensure effective and accurate data transfer and product movement management. Further detail is defined in Annexure C.

5.2. Technical requirements for access to storage facility

Transport contractors/owners delivering and/or uplifting product from PetroSA depots have to comply with the required safety standards as per the PetroSA SHEQ (Safety, Health, Environment and Quality) policy. This process is meant to ensure all fleet operators have a safety management system in place and comply with safety and environmental legislation.

5.3. Vehicle Vetting Process

All vehicles entering the facility will be inspected according to the standard requirements as per the checklist prescribed in Annexure C: Vehicles that meet the requirements will be issued with a Safe Loading Pass (SLP) which will be valid for a period of 12 months. The SLP is issued per unit for vehicles with trailers.

5.4. Driver depot induction

All Drivers must attend a Safety Induction video presentation and complete the Road Truck Loading training and sign the Work Practice document before being allowed to enter the Depot and loading any truck.

6. Contractual terms and conditions

All parties are required to agree and sign the attached contractual agreement (Annexure B) setting out the terms and conditions of accessing and utilising a PetroSA storage facility. The agreement includes but is not limited to the following criteria:

- Health Safety Security Environment Compliance
- Operations Compliance between Host and Third party
- Agreed Volumes
- Tariff and Payments terms
- Replenishment Cycle nomination procedure
- Termination clause
- Define penalties
- Stock Accounting and Reconciliation
- Entitlement management

7. Management of Change process

All parties requiring access to a facility are required to agree and sign a Management of Change (MOC) process (Annexure D) which defines the implementation plan required when accessing a storage facility. The implementation plan will detail the timings and responsibilities required to be met by the party requesting access to a PetroSA Depot.

8. Attachments

8.1 Annexure A: Tariff schedule

Awaiting tariff approval from NERSA
Provisional Tariff schedule

Refer www.petrosa.co.za – Section: National Energy Regulatory Compliance

8.2 Annexure B: Contractual Agreement

Refer www.petrosa.co.za – Section: National Energy Regulatory Compliance

8.3 Annexure C: EDI Compliance Rules

8.3.1 All product movements between host and tenants to be done using EDI message sets as follows:

Message	Description
OILORD	To order product: uplift or replenishment
OILRSP	Confirmation of receipt of OILORD
OILNOT	Replenishment only – used to notify host of impending arrival of
OILREC	Replenishment only - used to acknowledge receipt of product by host
OILMOV	Confirmation of movement of product

All messages are as per the Industry EDI Interchange Agreement (as amended) and is maintained by the Oil Industry EDI Forum. The above is a sample of the messages and a full set is obtainable from the EDI Forum.

8.3.2 When a party wants to load product, an OILORD is needed. Product will not be supplied if there is no OILORD. Industry has adopted this as a 'NO ORDER - NO PRODUCT' rule. Where one party experience system issues, such must be declared timely and BCP option be agreed by both parties to ensure business operations are not impacted

8.3.3. EDI Messages can be used for various product exchange models:

- a) Borrow Loan
- b) Throughput
- c) Buy-Sell

8.3.4 Messages must be appropriately coded to distinguish which model is used.

8.3.5 Messages must be sent within agreed lead times. For normal truck loads at a loading facility, orders (OILORD) can be sent up to two hours before actual load. Once movements are completed the actualization message (OILMOV) must be sent within 24 hours.

8.3.6 All EDI trading partners acknowledge that the EDI message is NOT a proof of delivery. There specified document (per Mode of Transport) constitutes proof of volumes being delivered. Details of these are obtainable from the EDI Forum.

8.3.7 New entrants can elect to be part of the EDI Forum -there are four industry meetings held per year, with special sub-committee meetings as required.

The above are a brief synopsis of some of the rules pertaining to the operations of the Industry EDI model.

All applications for spare capacity allocation shall be addressed to the following

Attention: Acting Supply and Logistics Manager:
Trading, Supply and Logistics Division
PetroSA (SOC) Ltd
151 Frans Conradie Road
Parow

- 9 PetroSA will accept as a method of correspondence email and/or telephone.

The applicant must provide the following information on the application:

- Full name, registration number and contact details of the company;
- Depot(s) and capacity per product required;

The applicant must also provide confirmation of their capacity to procure, handle and distribute petroleum products and must comply with, but not limited to, the following criteria:

- Applicants must be registered as Wholesalers of Petroleum Product as set out in the Petroleum Products Act 120 of 1977 (as amended);
- Non-Refining Wholesalers must be in the possession of an HDSA Wholesale Licence;
- Applicants must be in a position to prove financial stability and PetroSA reserves the right to conduct due diligence to verify the details provided;
- Applicants must be willing and able to submit the information to PetroSA as stipulated under the License Conditions as imposed by NERSA;

Preference will be given to Historically Disadvantage South Africans (HDSA) License holders who meet the above criteria.

Following discussions with the designated PetroSA person a third party will be required to complete an Application form (Attached in Annexure E) which needs to be accompanied by a written letter requesting access and giving information concerning petroleum to be stored.

PetroSA requires the third party to provide all the relevant supporting documentation stipulated in the Application form (Attached in Annexure E).

PetroSA will respond to the application within 10 working days after submission.

10. Application Form:

Refer www.petrosa.co.za - Section: National Energy Regulatory Compliance