



Capacity Allocation Mechanism

2018

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Contents

- 1. Preamble 3
- 2. Definitions 4
- 3. Policy 5
- 4. Tariff for 2018 6
- 5. Allocation of uncommitted capacity 6
- 6. Timelines for Application 7
- 7. “Use it or lose it” principle 7
- 8. Process for Application to utilise uncommitted capacity 8
- 9. Vetting of Applicants 8
- 10. Quality and technical specifications 11
- 11. Accounting and reporting 12
- 12. Return of Product 12
- 13. Gains and Losses 12
- 14. Access to other parties 13
- 15. Non Adherence 13
- 16. Confidentiality 14
- 17. Adherence to Applicable Laws and Rules 14
- 18. Capacity Utilisation 16
- GENERAL INFORMATION: 24
- ANNEXURE B 26
- SECTION B 27
- 19. APPENDIX [29](#)

1. Preamble

Total South Africa (Pty) Ltd (Registration Number 1954/003325/07, herein referred to as TOTAL) were granted operating licenses by NERSA for the following sites:

- a) Alrode (*PPL.sf.F3/11/3/2006*)
- b) Bethlehem (*PPL.sf.F3/11/7/2006*)
- c) East London (*PPL.sf.F3/11/11/2006*)
- d) Island View Terminal (*PPL.sf.F3/11/1/2006*)
- e) Ladysmith (*PPL.sf.F3/11/6/2006*)
- f) Nelspruit (*PPL.sf.F3/11/5/2006*)
- g) Ohrigstad (*PPL.sf.F3/11/10/2006*)
- h) Polokwane (*PPL.sf.F3/11/8/2006*)
- i) Waltloo (*PPL.sf.F3/11/2/2006*)

As part of the condition for the operating of these sites it is a requirement by TOTAL to submit its capacity allocation mechanism. TOTAL applied the same principles as per the discussion paper on third party access to storage facilities and uncommitted capacity (2 June 2009, refer to the diagram of tank measuring capacity).

2. Definitions

1) Dead Stock

The stock that cannot be extracted from the tank (during normal operation)

2) GASOIL

All diesel products

3) KERO

All illuminating products

4) MOGAS

All petrol products

5) Operating Capacity

The stock capacity available for operation and exclude any dead/unpumpable stock in the tank

6) Operating Stock

This is the stock required to operate on a day to day basis based on the replenishment cycle to the depot

7) Safety Stock

This is a level determined to ensure continuous supply of stock to TOTAL customers in the event of a delay in the replenishment plan of stock to the depot

8) Surplus/Short Capacity

The is the capacity that is available for allocation, or is currently allocated to 3rd parties at the depots

9) Un pump able Stock

The stock that cannot be pumped from the tank (normally below the discharge point of a tank)

3. Policy

- Applicant must prove the capacity to procure, handle and distribute petroleum products for own direct benefit, and must comply with, but not limited to, the following criteria:
 - Applicant must be registered as a Wholesaler of Petroleum Product as set out in the Petroleum Products Act 120 of 1977 (as amended).
 - Applicant must be willing and able to submit the information to Total South Africa (PTY) Ltd as stipulated under the Licence Conditions as imposed by NERSA on Total South Africa (PTY) Ltd.
- Preference will be given to historically disadvantaged South Africans, who meet the criteria.
- Applicant must be in a position to prove financial stability **and Total South Africa (PTY) Ltd reserve the right to verify the details provided.**
- Applicant must provide petroleum product that complies with the South African National Standards (SANS), submit full documentation from the source of supply in reference to the quality of product, willing to provide samples for TOTAL for internal testing before pumping to the storage tanks and provided product must be fungible with the product currently being stored and handled in the facility's being applied for.
- Applicant must prove the reliability of supply of petroleum products from the source.
- Applicant must prove the capacity, as well as the contractual capacity, to remove the petroleum products being stored, to ensure stock rotation.
- Applicant must prove his BEE status as per the Liquid Fuels Charter and or BBBEEE Codes of Good Practice.
- Liability and cost tariffs will be included in the agreement.
- Insurance cover is in place provided that the relevant legislative and policy requirements have been met. Terms will be specified in the agreement.

Provide the following information in the application:

- Full name, registration number and contact details of the company.
- Documentary evidence for compliance to the above criteria.
- Depot/s and capacity per product required.

4. Tariff for 2018

The following are maximum white product approved tariffs by Nersa for 2018

2018

Trading name	Maximum tariff (cpl)
Alrode	16.47
Bethlehem	28.11
East London	16.98
Island View Terminal	11.52
Ladysmith	23.16
Nelspruit	26.84
Ohrigstad	47.96
Polokwane	39.16
Waltloo	18.11
Pietermaritzburg	30.83
Paarden Eiland	17.72

All tariffs are EXCLUSIVE of VAT.

Liability and cost tariffs will be included on a case by case basis.

Insurance cover is in place provided that the relevant legislative and policy requirements have been met. Terms will be specified on a case by case basis.

5. Allocation of uncommitted capacity

The available ullage will be determined by both the volume ullage available and the period for which the ullage will be available. The period (in days) and the typical volume available for that period (on average) can be calculated by doing a histogram for the period under review .

The period for which the ullage will be available is important as the licensees continuously fills up their available ullage and then transfers it out of the depot. The specific volume and time required by third parties will be negotiated on a case by case basis.

The product will only be accepted if there is available ullage. The availability of ullage is determined during the planning process. TSA will ensure that the available ullage is coordinated over a six month rolling plan to ensure that the total available ullage is never exceeded. In addition, maintenance at the depot will impact the availability of ullage and as such is built into the six month plan.

6. Timelines for Application

Any third party will need to form part of this six month rolling plan and therefore will need to present its requirements well in advance. The notice period should at least be four months, but preferably six months. The following planning process will be required:

M+6¹: Indication of ullage requirements.

M+3: Indicative receipt and dispatch plans

M+1: Firm receipt and dispatch plans.

If the third party does not meet the planning requirements (e.g. due to unplanned transfers, etc.), the Operations Management is not obliged to accept such Product.

7. "Use it or lose it" principle

Due to the nature of the operation of storage, ullage is not a constant and may or may not be available at any one time. It is therefore important to note that if a third party request ullage and it is available, then this ullage will only be available for the volume and period as planned for. If

¹ M + n indicates the number of months in advance that specific information is required, e.g. M + 6 (n=6) will mean six months in advance, and M + 1 will be next month.

the third party cannot utilise the ullage as and when agreed, this opportunity will lapse and the third party will need to go through the whole process again (use it or lose it principle).

8. Process for Application to utilise uncommitted capacity

❖ Contact details

Applicant to apply for access in writing or via email to:

“Operations Manager”

Total South Africa (PTY) Ltd

P.O. Box 579

Saxonwold

2132

Email: dieketseng.meletse@total.co.za or

winnie.mamabolo@total.co.za

It is important that the applicant provide the following information with the application:

Full name, registration number and contact details of the company.

Depot(s) and capacity per product required.

Documentary evidence as required in §9 (Vetting of Applicants).

9. Vetting of Applicants

❖ *Requirements for Applications*

Applicant must prove the capacity to procure, handle and distribute petroleum products for own direct benefit, and must comply with, but not limited to, the following criteria:

- Applicant must be registered as a Wholesaler of Petroleum Product as set out in the Petroleum Products Act 120 of 1977 (as amended).
- Applicant must be in a position to prove financial stability and the licensee's reserves the right to verify the details provided.
- Applicants must prove their BEE status as per the Liquid fuels charter.
- Applicant must be willing and able to submit the information to the licensees as stipulated under the Licence Conditions as imposed by NERSA.

Preference will be given to historically disadvantaged South Africans, who meet the criteria.

❖ *Pre conditions required*

The third party should have the necessary licenses, permits, etc. required to import the product (i.e. meet all regulatory requirements).

Third party access will only be allowed if the third party has all the contracts in place for the import and transfer of the product to a different facility within the available ullage window. Applicant must prove the capacity, as well as the contractual capacity, to remove the petroleum products being stored, to ensure stock rotation.

Applicant must prove the reliability of supply of petroleum products from source.

10. Payment terms

10.1. Manner of Payment

- 10.1.1.** Subject to the provisions of this Agreement, the amount payable to the Host by the Guest in terms of this Agreement shall be deemed to be earned by the Host, and the Guest's corresponding liability to pay shall arise, as and when the Petroleum Product moves through the loading equipment at the Depot.

- 10.1.2.** Any consideration payable by the Guest to the Host shall be paid in arrears within 15 (fifteen) days in M+1. The Guest shall not be entitled to set-off or deduct any amount that is to be paid by it to the Host in terms of this Agreement against any undisputed amount that the Host may be obliged to pay to it under this Agreement.
- 10.1.3.** The date of the receipt of the Petroleum Product, the amount of litres of Petroleum Products received for and on behalf of the Guest and the amounts owed to the Host by the Guest in terms of this Agreement, shall at any time be determined and proved by the receipt documentation signed by the Host relative to such Petroleum Product, which receipt documentation shall upon the mere production thereof (but save for instances of, including but not limited to - manifest error, fraud, misconduct, collusion and/or theft by the employees of the Host,) be binding on the Guest and be prima facie proof of the contents of such receipt documentation.
- 10.1.4.** The date of issue of the Petroleum Product, the amount of litres of Petroleum Products issued for and on behalf of the Guest and amounts owed to the Host by the Guest in terms of this Agreement, shall at any time be determined and proved by the issuing note signed by the Guest relative to such Petroleum Product, which issuing note shall upon the mere production thereof (but save for manifest error) be binding on the Guest and be prima facie proof of the contents of such issuing note.
- 10.1.5.** In the event of the Guest disputing any amount reflected on the invoice, such Party shall be obliged to pay the undisputed portion of the invoice in terms of the provisions of this clause. The disputed portion of the invoice shall be dealt with in accordance with the provisions of clause 16.
- 10.1.6.** The Guest will pay the Host by way of an electronic bank transfer into a bank account in the name of the Host or in such other manner as the Parties may agree in writing.

11. Quality and technical specifications

Only petrol and diesel (herein referred to collectively or separately as Product) that meet the quality specifications as specified from time to time by the licensees for all Product will be allowed in the tanks. The initial specifications as agreed by the licensees are shown in APPENDIX

APPENDIX 1. the total olefins in the ULP must meet the following specifications:

Total C ₄ and smaller Olefin content	< 0.1 vol%
Total Olefin content in the ULP	< 18 vol%

Applicant must provide petroleum product that complies with the South African National Standards (SANS) submitting full documentation from the source of supply in reference to the quality of product, must be willing to provide samples for internal testing before pumping to the storage tanks and provided product must be fungible with the product currently being stored and handled in the facility's being applied for.

The Operations Management is not obliged to receive into or store in the White Product tanks any product, unless an independent quality certificate can be produced to prove that the Product meets the agreed minimum specifications.

Should any party transfer Product to the tanks, and the tanks are analysed to be off-specification subsequent to the transfer, the third party will be responsible to return the Product in the tanks to the quality it was before the transfer, either by replacing the contents, or by blending additional components that return the tank to being within specification.

12. Accounting and reporting

In order to minimise storage costs, products of similar specification are co-mingled in the depot regardless of ownership. No applicant or license holder may claim entitlement to a dedicated tank.

Ownership of the Product shall at all times continue to vest with the physical owner of the Product and Product ownership will be determined and recorded by specification and volume; and not necessarily by reference to a storage tank.

13. Return of Product

Third parties will receive product back of a similar nature and meeting the same specifications to that transferred into the tank. However, the licensees cannot guarantee that it will be the same molecules.

The product that will be supplied back to the third party will be on a volume for volume dry basis, based on an assay.

The volume supplied back to the third party will be reconciled and any over or under supply will be billed at the applicable rate. An over or under supply situation will not be rectified by supplying or receiving additional volumes.

Product will only be returned to a third party at the respective depot, not at any other facility operated and/or owned by the licensee.

14. Gains and Losses

During every month-end, the Operations Management will report on Product levels so that the reports indicate Product levels per storage tank. The Product levels may or may not be the same

as the virtual Product recorded on the Management Information System. The variance between physical and virtual stock may result in Gains or Losses per Product.

Gains and Losses in respect of a Product pool will be apportioned between all owners on a *pro-rata* basis; and determined by each party's total usage for the relevant accounting period. The total usage per period is determined from the total volume transferred (or moved) through the storage tanks in the period.

Product ownership rights of Product that cannot be practically recovered within the facility (i.e. dead stock in tanks and Product in dedicated pipelines) will be allocated to the licensee.

Product in non-dedicated pipelines will be negotiated with third parties on a case by case basis and will depend on whether a transfer through such a pipeline is specifically for the third party or is part of "normal" operations.

15. Access to other parties

Third parties may appoint independent surveyors but such appointments must be done in consultation with the Operations Management in order to ensure compliance with HESQ requirements.

The costs of all such appointments shall be for the third party.

16. Non Adherence

Should the third party not adhere to this allocation mechanism, the following remedies will apply:

- common law remedies will apply where appropriate;

- if the third party exceeds their portion of the allocated ullage for a period exceeding that agreed, such third party must:
 - ❖ rectify the situation as soon as possible; and
 - ❖ In addition, accept accountability for all holding costs (e.g. tank rental, etc.) on a pro-rata basis, calculated based on the magnitude by which the Participation Ratio has been exceeded.
 - ❖ Accept all direct costs associated with the impact on licensee ullage constraints, e.g. demurrage costs.

- Consequential losses, e.g. loss of market, etc. are excluded.

17. Confidentiality

During the planning process and operation of the facility, information will be shared that may be deemed confidential. Accordingly, no Party may disclose confidential information pertaining to another Party, without written consent of the owner of the confidential information. Confidential information shall include, but not be limited to the details of Agreements between the third party and licensees, the information handed over during the course of negotiations, as well as the details of planning volumes, operating procedures, etc.

18. Adherence to Applicable Laws and Rules

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

In addition, the third party indemnifies and holds harmless the licensees to any claims, etc. arising out of such non-compliance.

The third party must at all times adhere to HSEQ (Health, Safety, Environmental and Quality) rules