

UNCOMMITTED CAPACITY ALLOCATION MECHANISM FOR LICENSE LP PPL.sf.F3/56/2006

THE ALLOCATION MECHANISM AND REQUIREMENTS FOR ACCESS TO AUTO COMMODITIES (Pty) Ltd LICENSED STORAGE FACILITIES

1. PREAMBLE

Auto Commodities registration number 1995/000521/07 herein referred to as Auto Commodities owns and operates a reseller and associated fuel storage facility in Krugersdorp under Nersa license LP PPL.sf.F3/56/2006 issued 19 January 2009

This submission is in response to the regulators letter dated 14 November 2012 regarding compliance in terms of regulation 3 (6) of the regulation issued to the Act and published under Government R342 in the Government Gazette.

The allocation mechanism described in this document is intended to cover the fuel storage facilities and was compiled with reference to the "Allocation Mechanism Guidelines for Third Party Access to Petroleum Storage Facilities" published by Nersa. Should capacity be available, the parties will enter into a detailed agreement that will regularise all interaction.

2. BACKGROUND

Being an active reseller facility with a consequent storage component used primarily to support it's main business, Auto Commodities available capacity is based on market supply and demand tank turnover volatility and the understanding that capacity is determined by the most limiting part of the whole storage system.

Typically storage process consist of one process with 3 three separate but inter connected components, i.e. Receipt of the commodity, Storage and Loading for despatch that need to be taken into account in determining available capacity.

3. ALLOCATION MECHANISM

3.1. Receipt of Product

Auto Commodities depot product is currently replenished via two modes of transport, i.e. road and potentially rail via a rail siding, which constitutes the receipt of product activity. The facility has capacity for 6 rail/road tankers discharging or for tanks 5,6,8 single point discharge. Bulk products handled are currently Diesel 50ppm and 500ppm and Illuminating Kerosene. The rate of receipt is approximately 1000 lt per minute. Typical road tankers of 40 000 lt are received and take around 60 minutes to discharge.

3.2. Storage System

The facility has the following aggregate storage capacities for each of the products handled.

Tank	Product **	Ops capacity *
1	Diesel	680 000lt
2	Diesel 50ppm	180 000lt
3	Diesel	1550000 lt
4	Diesel	680 000 lt
5	Diesel	83000 lt
6	IP	83 000 lt
7	50ppm Diesel	23 000 lt
8	Heating oil	108 000 lt
9	Gantry ops	9000 lt

*Operating Capacity

** Product held in tanks can vary with operational requirements

3.3. Loading system

The depot consists of 4 gantry loading bays, 1 stand alone load point and a dispensing unit. The loading gantry is equipped with top load loading arms only. The gantry loading rate is around 1000 lt per minute and each truck takes approximately 1 hour to load and weigh.

4 ALLOCATION OF UNCOMMITTED CAPACITY

4.1. "First come, first served" Principle

Auto Commodities will consider applications for use of storage capacity on a first come, first served basis, subject to the available capacity and time period being suitable to both parties and such parties complying to all requirements as stipulated in this document and will be approved, if uncommitted capacity is available.

4.2. "Use it or lose it" principle

In order to ensure the facility capacity is optimized, Auto Commodities will implement monitoring systems to ensure that tenant/s utilize capacity as set out in the agreement. The committed capacity will be on a 'take or pay' basis. Furthermore 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.

4.3 Key requirements to be met

4.3.1 Quality and Technical Specifications

All fuels (currently Diesel 500ppm, 50 ppm and Illuminating Paraffin) have to meet quality
Auto Commodities: Proposed allocation of unused storage capacity mechanism

specifications as for the South African Oil Industry and National Standards and laid down by Department of Energy for each of the acceptable products and amended from time to time by Auto Commodities. The third party user must ensure any product intended for storage must be compatible with the existing stored product.

4.3.2 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 Energy (DoE), Nersa (National Energy Regulator of South Africa) and Department of Trade and Industry (DTI) requirements.

The third party must at all times adhere to Auto Commodities site HSSE (Health, Safety, Security and Environmental) rules.

4.3.3 Timelines for applications and planning

Any third party will need to form part of a 3 week rolling plan and therefore will need to present its requirements well in advance. The minimum notice period should be 4 weeks before the start of the 3 week cycle and Auto Commodities will revert 1 week before the start of the cycle. Additivated product cannot be accommodated in facilities where non-additivated product is stored.

Given the nature of the Auto Commodities business being a wholesaler and therefore requiring their own tanks for their prime business activity, any unused capacity rented to third parties requires a clear and agreed uplift plan and timetable which must be adhered to. Failure to uplift for any reason as planned could result in penalties being applied.

The site hours of business are: 07h30 to 16h30 Monday to Friday excl public holidays

The site operator will be responsible for communicating planned maintenance schedules that may influence capacity to all tenants 3 weeks in advance with the exception of emergency repairs. In cases of unplanned interruptions (breakdowns), the operator will communicate to all tenants immediately.

5. PROCESS FOR APPLICATION

Contact details

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

Attention: General Manager Auto Commodities

Cnr Barratt & Wright Rds

Factoria, Krugersdorp

PO Box 4021

Luipaardsvlei 1743

Krugersdorp

The applicant must provide the following information on the application:

Full name, registration number and contact details of the company 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 Products as set out in the Petroleum Products Act 120 of 1977 (as amended).

Applicants must be in a position to prove financial stability and Auto Commodities reserves the right to verify the details provided.

Applicants must prove and provide certificates confirming their BEE status as per the Liquid Fuels Charter.

Applicants must be willing and able to submit the information to Auto Commodities as stipulated under the License Conditions as imposed by NERSA.

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

6. CUSTODY OF PETROLEUM PRODUCTS

Auto Commodities as the host shall manage stock at the depot.

The volume of product received shall be measured by the on site weigh bridge for road vehicles and using dipsticks for rail tank cars. In line flow meters are in place as a cross check only. Dispatch quantities will also be measured via weigh bridge with cross check to the flow meters at the gantry. All product movements are then verified by final tank dips.

Auto Commodities shall report on the host's product movement and stock balances on a monthly basis.

7. TARIFF TO BE CHARGED AT THE DEPOT

The following tariffs will be charged at the Auto Commodities depot (per tariff application and subject to Nersa approval) and adjust in line with any Nersa approved amendments:

R0.50c per litre per month maximum (Exclusive of VAT)

8. TECHNICAL REQUIREMENTS FOR ACCESS TO STORAGE FACILITY

Transport contractors/owners delivering and/or uplifting product from the Auto Commodities facility have to comply with the required safety standards as per the Auto Commodities HSSE (Health, Safety and Environment) policy and the Daily Vehicle checklist. This process is meant to ensure all fleet operators have a safety management system in place and comply with safety and environmental legislation.

All drivers must hold a hazardous goods permit endorsement, agree to the site requirements and register and complete the site induction requirements.

Drivers must be equipped with Personal Protection Equipment as per site requirements.

Vehicle Vetting Process

All vehicles entering the facility will be inspected according to the standard requirements as per the checklist prescribed in ANNEXURE A

All vehicles must conform to and hold a local authorities transport permit as required and issued by the relevant authorities.

9.CONTRACTUAL TERMS AND PAYMENT CONDITIONS

Contractual terms and payment processes shall be negotiated between Auto Commodities, as the host and the prospective third party tenant. Payment terms are in advance for any rented storage utilised unless otherwise negotiated by Auto Commodities.

10. The allocation mechanism, once approved and implemented, shall be made available on request and a written copy shall be kept at the facility to enable potential customers to understand the mechanism. Auto Commodities does not currently have a company website.

ANNEXURE A - INDUCTION ENTRY CHECKLIST		
TRANSPORTER TO ENTER PREMISES OF AUTO COMMODITIES		
DATE:		
SPECIFICATIONS	YES	NO
Vehicle must have a valid Local Fire Department transport permit		
Vehicle should display a valid license and roadworthy disc		
Vehicle should display a valid operator's disc		
Vehicle should display dangerous goods placarding		
Vehicle must have three fire extinguishers		
Vehicle must have a first aid kit		
Vehicle must have a spill kit		
Vehicle must have warning triangles		
Vehicle must have a leak barrel test certificate of 45 Kpa for at least 30 min.		
Driver must have a valid PDP with dangerous goods		
PPE must be worn at all times:		
a. Hard Hat		
b. Safety Goggles		
c. Flame Retardant Overall		
d. PVC Gloves		
e. Safety Boots		
f. Reflective Jacket		
Driver must have a Material Safety Data Sheet of the product transported		
Driver must have a valid hazchem certificate		
Driver must have a medical certificate		
Driver must have a Transport Emergency Card		
Driver must adhere to Auto Commodities Policy on Alcohol and Drugs		
Driver must adhere to Auto Commodities Policy on PPE		
Proof of Letter of Good Standing with Workmans Compensation		
If any of the above is not adhered to, the driver will not be allowed to enter the premises of Auto Commodities.		