

**Kwazulu Natal Petroleum (PTY) Ltd trading as BP
Drakensberg
("BPD")**



Storage Facility Allocation Mechanism

2011/12

Version 1.0

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1. Executive Summary

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

- **Tariff schedule:** BPD have applied for a maximum tariff for each storage facility, see Appendix A for details
- **Spare capacity determination:** Spare capacity defined by NERSA as uncommitted capacity is constrained by BPD's replenishment cycle. BPD has therefore used a replenishment cycle module to determine each facility's uncommitted capacity that will be available to third parties.
- **Access rules and requirements:** Third parties requiring access to a BPD storage facility are required to meet the following key criteria prior to gaining access:
 1. Anti-Corruption Due Diligence
 2. Product Specification
 3. EDI compliant
 4. Vehicle and drive HSSE compliant
 5. Agree on contractual terms and conditions
 6. Agree on the MOC process
- **Allocation rules:** BPD will implement the following key rules when allocating the calculated uncommitted capacity:
 1. First come first serve
 2. Preference to high volume customers
 3. Use it or loose it principle applies

The above allocation mechanism will be reviewed annually with all amendments being submitted to NERSA for consideration.

2. Tariff schedule

The final approved tariffs per facility will be 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.

For the purposes of this submission, BPD defines capacity as the 'throughput capacity' of a facility. That is to say, the volume of product that passes through a storage facility during a period of time. This is in contrast to the total physical capacity of a storage tank at a point in time.

Therefore to determine a storage facility's throughput capacity BPD has reviewed a facility's operational supply chain and determined that the ability to replenish a storage tank is the key limiting factor and thus what determines the throughput capacity. BPD adopted a replenishment cycle approach to determining a storage facility's throughput capacity.

It is recognised that in some instances, the throughput capacity of a facility may be limited by either the offtake or demand on that facility or the loading infrastructure (gantry) serving the facility. Where such an example exists and it can be demonstrated that there is additional replenishment capacity to that which has been determined by BPD, the throughput capacity will be reviewed and possibly amended.

Where a facility does not use the Electronic Data Interchange (EDI) model and standards to manage third party transactions, the third party will only be able to access uncommitted capacity that is available in an unutilised tank.

3.2 The replenishment cycle model

The replenishment cycle is the rate at which product is supplied to a storage facility, via road. For replenishment to occur by road 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 road replenishments, provided the road tankers are loaded by BPD 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 the road tanker is not loaded by BPD or its agent, or the seals have been altered, BPD reserves the right to isolate the product pending testing thereof by a BP appointed agent at the product owner's expense.

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In all cases, BPD 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 BPD's own use and third parties for which BPD is contractually obligated to provide.

4. Access requirements to the facility

All parties requiring access to a BPD 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).

4.1 Anti-Corruption Due Diligence

BP Group policy requires that all parties with which BP holds a business relationship must be vetted prior to entering into a contractual relationship with BP. BP will undertake the vetting process at its own cost and in accordance with the Group's ACDD policy. Should the party in question fail to meet the requirements of BP'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
- Sanctioned country and PEP (Politically Exposed Persons)
- Legal Contract
- S&O - HSSE Vetting

4.2 Product Specification

Product entering a BPD 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.

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

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

4.3 Electronic Data Inter-change compliant

All parties are not required to be compliant with the Electronic Data Interchange (EDI) model and standards applicable to Industry.

4.4 Vehicle and driver HSSE requirements

Parties requiring access are required to have their vehicles and drives vetted to align them with BP's Health, Safety, Security and Environment (HSSE) standards. Compliance with these requirements is a pre-condition to a third party entering a BPD facility and BPD will refuse entry to any party that fails to comply with this requirement. All certificates must be valid and up to date.

Drivers are required to complete the following:

- Driver defence training
- Driver depot induction

Vehicles are required to be vetted to ensure they meet the required equipment specifications prior to engaging with a BP storage facility.

4.5 Contractual terms and conditions

All parties are required to agree and sign the attached contractual agreement setting out the terms and conditions of accessing and utilising a BPD 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

4.6 Management of Change process

All parties requiring access to a facility are required to agree and sign a Management of Change (MOC) process (Annexure B) 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 BPD facility.

5. Capacity Allocation Rules

5.1 First come first serve

The first company to inquire about the availability of the capacity will be treated as the first in line.

5.2 High volume customers

Preference is given to high volume customers when allocating capacity, i.e. if a customer requires double the amount of volume to that of another, preference will be given to the customer who requires the greater volume. This is strictly a commercial decision.

5.3 Use it or loose it

Parties will be expected to utilise the granted capacity as per the agreed contract, failure to do so will result in the third party loosing the capacity and it being allocated to another party.

Where a party has been allocated capacity but fails to utilise it, the said party will still be liable for the applicable tariff for the capacity allocated.

6. Annexure

6.1 Annexure A: Tariff schedule

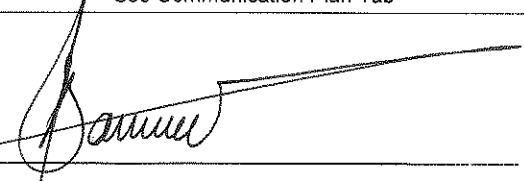
Awaiting approval from NERSA

6.2 Annexure B: MOC process

#	Execute Stage	Deliverable	Activity	Owner	Start Date dd-mm-yyyy	End Date dd-mm-yyyy	Status (% & Y/N)	Comments
1	Implementation Preparation: MOC Preparation	Implementation Approach	Agree Implementation Approach					
			Identify End-users					
		Training	Compile Training Plan					
			Schedule Training Logistics					
		Training Documentation	Update Training Manuals					
			Update Quick-reference Guides					
			Update 1-pager Movement Matrix Guide					
			Update System Training Presentations (New users and Existing users)					
			Update Business Process Training Presentations (New users and Existing users)					
		HR Documentation	Prepare Sign-off Sheets					
			Update Job Descriptions (new roles)					
			Update end-user performance contracts (New and Existing CAMS users)					
				Update Line Manager performance contracts				
		Comms	See Communication Plan Tab					
2	Implementation: MOC Implementation	Training	Perform Business Process Training (Group 2a, 2b, 2c)					
			Perform CAMS Systems Training (Group 2a, 2b, 2c)					
			Obtain Training Sign-off (Group 2a, 2b, 2c)					
		Testing	Conduct UAT					
			Obtain UAT Sign-off					
		Training Documentation	Update Training Manuals					
			Update Quick-reference Guide					
Comms	See Communication Plan Tab							
3	Post implementation: MOC Review	End-user Feedback	Conduct End-user Satisfaction Survey (Group 2a, 2b, 2c)					
		Review Workshop	Conduct 6 Hats Review					
		Plans	Update MOC Plan					
			Update Overall Project Plan					
Comms	See Communication Plan Tab							

Dated: 6 September 2011

Signed:


Darin Samuels – managing Director