



CHEVRON'S ALLOCATION MECHANISM

Applicable from 01/01/2016

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Executive Summary

This document sets out Chevron South Africa's (Pty) Ltd (1911/001154/07) allocation mechanism in terms of the Petroleum Pipelines Act of 2003. Chevron and its Joint Venture (JV) Partners (where applicable) were granted storage operating licenses by NERSA for the following facilities:

Alrode (JV)	(PPL.sf.F3/33/2006)
East London	(PPL.sf.F3/31/20/2006)
Klerksdorp (JV)	(PPL.sf.F3/30/2/2006)
Kroonstad (JV)	(PPL.sf.F3/31/1/2006)
Port Elizabeth (JV)	(PPL.sf.F3/3/4/2006)
Waltloo	(PPL.sf.F3/31/10/2006)

The spare capacity details for the above sites are published on the NERSA website (www.nersa.org.za)

Uncommitted capacity means the capacity determined by the Energy Regulator not currently met by contractual obligations by the licensee/s.

This allocation mechanism has complied with the sub-regulation 3(8) of the Regulations for third parties wishing to access the uncommitted capacity and it outlines the following:

- a. A tariff schedule;
- b. Technical requirements for access to the storage facility and
- c. The process to be followed by the third party when requesting access
- d. Contractual terms and conditions regarding use and payment

All applications will be reviewed on their merit. "Use it or lose it principle" will apply and those details will be outlined in individual contracts with successful applicants

2 Tariff Schedule

Chevron's tariff schedules for all its licensed facilities listed in (1) are available on the NERSA website with the tariff validity period. (www.nersa.org.za)

3 Technical Requirements for access to storage facility

Third parties wishing to access Chevron's storage facilities must comply with the following criteria prior to being granted access to a facility.

3.1 Compliance due diligence requirements

Chevron's compliance procedures for International Trade and Trade sanctions requires sanctioned party screening of any third-party with whom Chevron has any dealings in order to avoid inadvertent business dealings with a party who is subject to trade sanctions. All applicants upon contact with Chevron and who meet the basic operational requirements will be screened through the Chevron Corporate Screening system.

3.2 Product specifications requirements

Product entering a Chevron operated facility must adhere to the following standard

South African National Standards (SANS) specifically:

- i. ULP 93 and ULP 95 in accordance with SANS 1598: 2006 (Metal free)
- ii. Automotive diesel fuel (Diesel 500 and 50 ppm) in accordance with SANS 342:2006
- iii. Illuminating Paraffin in accordance with SANS 1913: 2008

3.3 System Requirements

Chevron uses the Electronic Data Interchange system (EDI). All participants are required to have the system in place and be compliant with the standards applicable to the industry. This system is used as it manages all transactions, ensures accurate data transfers and product movements within Chevron

3.4 Insurance

Chevron does not provide any insurance cover for all the products stored at their facilities and requirements for participants will be outlined in the individual contracts

3.5 Replenishment Methods

The different storage facilities have specific instructions for the receiving and uplifting of product in accordance to their current infrastructure. Note the replenishment methods of product receipt for the licensed Chevron facilities below

3.6 Product Receipts

Terminal / Facility	Primary Mode of Transport	Secondary Mode of Transport (*Restricted)
Alrode	Pipeline	Bulk Truck
East London	Marine Shipment	Bulk Truck
Klerksdorp	Pipeline	Bulk Truck
Kroonstad	Pipeline	Bulk Truck
Port Elizabeth	Marine Shipment	None
Waltloo	Pipeline	Bulk Truck

*Refer 3.6.3

3.6.1 Replenishment by Pipeline

Planning and Scheduling

- i. Where a storage facility is served by a Transnet Pipeline for products, the preferred method for 3rd party product replenishments would be via the Transnet Pipeline. For product to be received via pipeline, requirements are to be provided to Chevron's Supply department for consideration for inclusion in the 3 month pipeline plan.
- ii. A one week notice is required before a slug is received via pipeline transfer for operational preparation purposes and a final schedule from Transnet Pipeline is received at least 24 hours before the receipt is scheduled to start.
- iii. Chevron will have no obligation to accept any delivery by pipeline in respect of any quantity outside the time period or materially different from the agreed quantity.
- iv. 3rd parties are advised to seek accommodation from other industry member should there be a lack of ullage and demurrage charges could be incurred.

Actual Pipeline Receipts

- i. The risk of the product passes from the 3rd party to the Storage Facility at the designated pipeline entry point at the receiving terminal. Transfer of volume will be confirmed by the Transnet Pipeline docket showing the volume received at the inlet flange.
- ii. Chevron will specify a reasonable time period within which a particular quantity of a product that it has agreed to store may be delivered. The 3rd Party may not at any time change the primary mode of replenishment without prior written consent of Chevron.
- iii. Volume received as a result of product movement between terminals will be calculated as the difference between the before and after dip of the terminal receiving tanks. Volume received via

pipeline at any of Chevron's Storage Facilities shall not exceed the volume specifications of each terminal

- iv. For product integrity to be effectively executed, products will be tested regularly to ensure their compliance with Chevron specifications. 3rd party shall bear the risk of loss or contamination of or other damage to the product stored by Chevron in the proportion delivered by the 3rd party.
- v. The storage facility personnel will ensure that there is regular communication between Transnet Pipeline, the 3rd Party and the facility itself to make certain that any changes of time of receipt, products to be received, tank ullage or any other special requests are timeously reviewed
- vi. The process of receiving product is controlled by Chevron's Standard Operating Procedures and trained personnel are responsible for product receiving. The duration that the product can be stored at the terminal will be defined within each storage and handling agreement between Chevron and the 3rd party.

3.6.2 Replenishment by Marine Shipping

Planning and Scheduling

- i. For product received via ship, a requirement will be to provide Chevron's supply department with volume required for consideration and inclusion in the Chevron Terminal's three month Shipping Schedule. A two week notice is required by the Chevron Supply Department before a shipment is received via marine transfer for operational preparation purposes.
- ii. Volume received via Marine at any of Chevron's Storage Facilities shall not exceed the volume specifications of each terminal. Chevron will have no obligation to accept any delivery by ship in respect of any quantity outside the time period or materially different from the agreed quantity.
- iii. 3rd parties are advised to seek accommodation from other industry members should there be a lack of ullage and demurrage charges could be incurred.

Product Receipts

- i. 3rd party product shall be taken into storage at that facility discharged from ship to shore by means of Facility cargo lines. The risk of the product passes from the 3rd party to the Storage Facility at the designated cargo line entry point at the receiving terminal
- ii. Transfer of volume will be confirmed by the Sequence of Discharge plan showing the volume to be received into the storage facility. Volume received as a result of product movement between ship and shore shall be calculated as the difference between the before and after dip of the terminal receiving tanks and the before and after dips of the Tankship loaded volumes.
- iii. Products will be tested before discharge and before intake, also after discharge and after product intake to ensure compliance with Chevron specifications. 3rd party shall bear the risk of loss or contamination of or other damage to the product stored by Chevron in the proportion delivered by it.
- iv. The storage facility personnel will ensure that there is regular communication between the Shipping agent, the 3rd Party and the facility itself to make certain that any changes of time of receipt, products to be received, tank ullage or any other special requests are timeously reviewed.

- v. The process of receiving product is controlled by the International Safety Guide for Oil Tankers and Terminals (ISGOTT) and Chevron's Standard Operating Procedures.
- vi. After completion of the Marine receipt, the Shipping Officer will issue the Bill Of Lading to the Terminal, after which the ship outturn will determine the volumes allocated to Chevron and 3rd Party. The duration that the product can be stored at the terminal is defined within each storage and handling agreement

The Ship Scheduler receives weekly and month end dips from terminals via email and will inform the 3rd party of any stock disputes within 24hours. The 3rd Party shall revert back to Chevron within 24hours of receiving communication.

3.6.3 Replenishment by Trucks

Planning and Scheduling

- i. All vehicles are required beforehand to ensure they meet the required safety equipment specifications prior to engaging with a Chevron storage facility.
- ii. The monthly planned schedule of receipts must be provided to Chevron's Supply department 3 weeks prior to the start of the month and the third party will be notified whether such receipt can be accommodated at this facility for that period.
- iii. In an event where product arrives earlier or later than expected the remedial action to be taken is for the third party to seek alternative storage if there is a lack of storage ullage at the Chevron facility. The quantum in which product is received is location specific.
- iv. The 3rd Party may not at any time change the primary mode of replenishment without prior written consent of Chevron. Chevron will have no obligation to accept any delivery by truck in respect of any quantity outside the time period or materially different from the agreed quantity.

Product Receipts

- i. Where the 3rd party replenishes by truck, the risk passes from the participant to the storage facility at the flange from the truck. Products will be tested on each truck to ensure that they comply with Chevron specifications.
- ii. 3rd party shall bear the risk of loss or contamination of or other damage to the product stored by Chevron in the proportion delivered by it.
- iii. The transfer volume depends on the temperature compensated meters at the terminal. Meters are calibrated 4 times per annum and certificates can be made available to the participants. The transfer volume on the calibrated meter readings from the Management System is corrected to 20 degrees Celsius.
- iv. Transfer volume is accounted for in the following ways:
 - Metered truck receipt: If the terminal has temperature compensated meters then the metered discharged volume shall be used as the transfer volume.
 - Meter-less truck receipt: (Seals intact) If the receiving terminal does not have temperature compensated meters at the discharge location and the seals on the bridging vehicle are intact and the seal numbers correspond with the documented seal

numbers at point of loading then the load volume on the Bill Of Lading shall be used as the transfer volume.

- Meter-less truck receipt: (Seals not intact) in the event that the seals on the bridging vehicle are not intact, the product will not be received by the receiving terminal. The Chevron Operator will immediately inform the replenishing participant of the non-compliance and the participant will be responsible to take the necessary actions to resolve
- v. The duration that the product can be stored at the terminal is defined within each storage and handling agreement between Chevron and the 3rd party.

Remedial action outlined for deviations that may cause delays in anticipated product receipt by the storage facility is “Equality of Misery” which basically means that no preference will be given to any party unless agreed upon.

3.7 Access requirements for drivers and trucks to the storage facility:

3.7.1 All certificates must be valid and up to date

- i. Chevron requires the following training for all drivers accessing the facility:
 - Hazchem Training
 - Driver Defense Driving
 - PDP
 - Terminal specific induction
- ii. Documents to be present at all times during the delivering and collecting of product:
 - A valid driver’s license
 - PDP license
 - Chevron Safe Loading Pass certification (Facility specific)
 - Notification in terms of SANS 10231
 - Driver loading instruction manual
 - Flammable liquids and substances regulations permit
- iii. Mandatory agreements to be signed at the entrance to a storage facility including indemnities are:
 - Road tanker approval for Terminal access checklist
 - Security entrance book
 - Chevron Safe Loading Pass Certification
 - Perform a Breathalyzer test and Induction training

3.7.2 Parties requiring access are required to have their vehicles and drivers vetted to align them with Chevron’s HES standards as all terminals differ in respect of size and flow capacity. Compliance with all these regulations is a pre-condition to a third party entering a Chevron facility and Chevron will refuse entry to any third party that fails to comply with this requirement.

3.7.3 The required time and date of the receiving of the product is:

- Pipeline receiving – it’s as per weekly Transnet Pipeline Schedule
- Bulk Truck receiving – Only during normal daylight hours within the Terminal operating days.
- Marine Vessel receiving - Within the Terminal operating days and hours.

3.7.4 Documents required in the planning and scheduling are:

- Transnet Pipeline delivery documentation for all pipeline receipts
- Bill of Loading
- Sequence of discharge
- Quality certificates
- Ship storage plan
- Delivery note: seal control form and dip charts

3.8 Volume to be stored

- 3.8.1 The volumetric capacity taking into account the operational requirements of the storage facilities is expressed in cubic meters (m³) or in liters depending on the facility for 3rd party access
- 3.8.2 The types of meters used are AccuLoad meters for all facilities except at the Klerksdorp terminal where AccuLoad meters are used at the Tank Truck loading rack
- 3.8.3 The meters are regularly calibrated and certification is available at each of the facilities showing the last calibration date and time
- 3.8.4 A meter receipt is printed for the purposes of quality control and this receipt is deemed binding
- 3.8.5 The third party liability with respect to unpumpable stock is defined within each storage and handling agreement
- 3.8.6 The temperature and density at which product is measured in accordance with the South African National Standards (SANS) for the purposes of correct measurements of volume is 20°C
- 3.8.8 Chevron will not accommodate any slop.
- 3.8.8 Differences in volumes arising from differences in temperature and density will be dealt with in a way as defined by the storage and handling agreement
- 3.8.9 For purposes of product sampling methods, analysis and preferred testing service provider is Chevron's internal on site laboratory. Samples are taken on all product receipts and retained and stored as per Chevron Standards. The tests performed are:
- Temperature testing
 - Density testing
 - Flash point testing
 - Distillation testing
 - Conductivity testing

4. Contractual terms and conditions for payment

4.1 Minimum Contractual Terms

The contractual terms below are the minimum requirements and all applicants must meet these requirements for Chevron to consider the application for storage

- 4.1.1 The NERSA approved tariff will be applied which includes a variable for share of loss. Product reconciliations will be required and signed off on a daily basis by Chevron and the third party over the term of the storage and handling agreement.
- 4.1.2 Storage allocation will be provided strictly on a throughput accounting basis meaning that there will be no 'borrow/loan' situation allowed. In the event of a product shortage or over supply Chevron will enter into a separate buy/sell agreement with the 3rd Party.
- 4.1.3 Chevron Storage facilities are able to store product for a period as specified by the individual contract and should those periods be exceeded the "use it or lose it" principle will apply.

4.2 Product Dispatch

Product is dispatched at the above facilities through uplifting at the tank truck loading racks. The process of upliftment is outlined below and failure to comply with any of Chevron's applicable standards and HES requirements will result in Chevron declining the uplift of product at any of their facilities.

Product dispatch ordering process:

- i. Monthly nominations for product requirements at the Chevron Terminals are sent to the Chevron Supply Department and Terminal in order to plan for product availability.
- ii. An order must be placed with the Chevron Customer Service Centre in order to uplift product from the Terminal.
- iii. All orders are processed on the EDI System and verified on SAP.
- iv. A seven day notice is required by the Chevron Terminal before collection of ordered volume.
- v. The quantum in which product is dispatched is location specific.
- vi. All orders are to be confirmed at least 24 hours in advance and the necessary documentation lodged with Chevron's Supply Department and Terminal(cancellations can be done after the 24 hr. deadline however no new orders may be entered).

Dispatches

- i. When product availability at the specific Chevron Terminal is confirmed, Chevron approved 3rd party trucks, will be granted access to the loading gantry, in order to uplift product.
- ii. The driver will complete the loading instruction document provided at the facility and a Filling Advice Note will be created.
- iii. The driver will be required to verify the Filling Advice Notice's correctness before proceeding
- iv. The mode of transport when uplifting product is bulk trucks only.
- v. Each truck and trailer will be inspected and must comply to the Chevron Vehicle Certification process (Valid Safe Loading Pass)
- vi. The following must be updated on the Chevron loading system (Fuelfacs) in order for a driver/vehicle to be granted access to load:
 - Vehicle License
 - Alfons Haar (Truck Compartment Overfill Sensors) tested
 - Driver Certificate of Fitness
 - PDP
- vii. On completion of the loading of product, the 3rd party will be billed and the driver issued with an invoice.
- viii. The volume uplifted will be deducted from the agreed allocation volume and the volume if any, remaining in the storage tanks will be reconciled. Product reconciliations will be communicated to the customer and the customer will be required to communicate any discrepancies.

Remedial action outlined for deviations that may cause delays in anticipated product receipt or dispatch from the storage facility is "Equality of Misery" which basically means that no preference will be given to any party unless agreed upon.

4.5 Stock Reconciliations

- 4.5.1 The Chevron operator will provide reconciliation per product detailing each months opening balance, receipt/issue transactions and closing stock balance on a daily basis following the transactions. A transaction that takes place on a weekend will be accounted for on the Monday report.
- 4.5.2 All transactions shall be reflected in volumes at 20 degrees Celsius and referenced to the 3rd Party, the terminal relating to the transaction as well as the appropriate EDI number. All disputes with regards to the transactions are required to be communicated immediately following the specific transaction.
- 4.5.3 The transaction report (reconciliation) shall be signed by the operator and the assigned representative deemed to sign the reports on behalf the 3rd Party and who has authority to confirm and acknowledge the movements and the closing balances.
- 4.5.4 It is the responsibility of the 3rd party and the participant to ensure that transactions are processed accurately and on time in their respective systems.

4.6 **Conditions for Payment**

4.6.1 Payment terms will be outlined in individual contracts.

4.6.2 Chevron will invoice for each product upliftment.

4.6.3 Invoices to be paid in full by the participant within the agreed to payment terms.

4.6.4 Each tax invoice will reflect the following:

- The description of the operator terminal
- Product volume, price and applicable excise duties
- The amount of Value Added Tax owing in relation to the products
- The 3rd Party EDI order number
- Chevrons EDI reference number allocated to each upliftment
- Product delivered and volume - according to the contractual temperature of 20 degrees Celsius
- Unit rate of charge
- Delivery date

Payments amounts due shall be made in South African currency and made through an electronic transfer to a bank nominated by Chevron. Any amount due for payment and not paid on the due date shall bear interest at the prime rate or as stipulated in the individual contracts.

3rd Party seeking to utilize the storage facilities should be registered as a Wholesaler of Petroleum Products in terms of Act No 120 of 1977 or be in possession of a valid license issued by the Department of Energy.

5. **Process to be followed when requesting access to the Storage Facility**

5.1 A third party may contact the following person(s) first within Chevron regarding access to the facilities:

Operations Support Coordinator

Mr. Donovan Wilson

Email: ddwilson@chevron.com

Telephone: +27 21 403 7911

5.2 Chevron will accept either a registered letter or an email as a method of correspondence

5.3 The 3rd Party will be required to complete an application form which needs to be accompanied by a written letter requesting access. Included in the letter should be the type of products to be stored, the monthly volume as well as weekly schedule for storage and uplifts

5.4 The 3rd party is required by Chevron to provide all the relevant supporting documentation stipulated in the application form

5.5 The application letter and the letter are to be directed to:

Operations Support Coordinator (Transportation & Operations)

Chevron South Africa (Pty) Limited

No. 5 Century Boulevard

Century City

7441

5.6 The 3rd Party is required to provide a copy of their wholesale licence attached to the request.

5.7 The documents submitted with the application form will be screened and vetted and the 3rd party will be advised in time when their application has been reviewed.

5.8 Chevron will respond to the 3rd Party's application within a period of 30 days of receipt via email or registered letter.