

**LICENCE CONDITIONS FOR A GAS TRADING LICENCE BY  
KWANDE GAS (PTY) LTD****TABLE OF CONTENTS**

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## DEFINITIONS

In these licence conditions any word or expression to which a meaning has been assigned in the Gas Act, 2001 (Act No. 48 of 2001) shall have the meaning so assigned, unless the context indicates otherwise.

In these licence conditions, the following expressions shall have the following meanings:-

**“authorised person”** means any person holding a valid authorisation permit as defined by the Rules.

**“Emergency”** means a present or imminent event, outside the scope of normal operations that requires the prompt co-ordination of resources to protect the health, safety or welfare of people or to limit damage to property and the environment.

**“Eligible Customer”** means eligible customer as defined in the Act and the Regulations.

**“Interruptions”** means the discontinuation of operations due to an emergency, *force majeure* or any other external reasons or threat.

**“Regulations”** means the Piped-Gas Regulations made in terms of the Act.

**“Rules”** means Rules made by the NERSA in terms of section 34(3) of the Act.

**“the Act”** means the Gas Act, 2001 (Act No. 48 of 2001), and includes Regulations made under the Act.

# **CHAPTER ONE: LICENSED ACTIVITIES**

## **1 Licensed Activities and licensed area**

- 1.1 The National Energy Regulator of South Africa (“Energy Regulator” or “NERSA”) NERSA grants Kwande Gas (Pty) Ltd a licence to trade in gas in the areas as indicated in **Annexure A** and demarcated by the GPS coordinates in **Annexure B** hereto.
- 1.2 This licence only applies to gas conforming to the gas specification as set out in **Annexure C** attached hereto.
- 1.3 The Licensee must carry out the gas trading activities for which the licence is granted, and must carry out these activities in a manner consistent with the objectives and provisions of the Act.
- 1.4 The Licensee may not assign this licence to another party.

## **2 Duration of Licence**

- 2.1 The licence is valid for a period of 25 (twenty-five years) from the date of issue, unless revoked by the Energy Regulator in accordance with the provisions of the Act.
- 2.2 The Licensee may apply to have its licence renewed subject to the provisions of the Act and the Rules.

## **CHAPTER TWO: GENERAL CONDITIONS**

### **3 General Conditions of License**

Sections 21(1) (a), (b), (c), (f), (j), (p), (q), (s) and (u) of the Act are conditions of this licence.

### **4 Compliance**

4.1 The Licensee must at all times comply with the conditions of this licence, the Act, Regulations and the Rules.

4.2 This licence is granted only in terms of the Act and for the activities specified and described in paragraphs 1.1 above. Any other activity listed in section 15 of the Act that is not specified above is not authorised by this licence.

4.3 This licence is granted in terms of the Act and does not exempt the licensee from compliance with any other legislation.

### **5 Amendment of Licence**

5.1 This licence may only be amended in accordance with the Act and the Rules.

5.2 The Energy Regulator may temporarily change these licence conditions in an emergency in accordance with section 24 of the Act.

## **6 Revocation of licence**

- 6.1 This licence may be revoked by the Energy Regulator in accordance with the provisions of the Act.

## **7 Changes in the details of the Licensee**

- 7.1 The Licensee must notify the Energy Regulator if control of the licensed company as contemplated in section 12(2) of the Competition Act, 1998 (Act No. 89 of 1998) changes.
- 7.2 The Licensee must notify the Energy Regulator if the composition of directors of the company changes.
- 7.3 The Licensee must at all times provide the Energy Regulator with the details of any changes in its registered name, operating or trading name, registered address and other contact details, including but not limited to, the names, telephone numbers, facsimile numbers and email addresses of contact persons.
- 7.4 The notifications contemplated in 7.1, 7.2 and 7.3 above must be provided within 14 days of the event giving rise to them.

## **8 Entry, Inspection and Gathering of information**

- 8.1 The Licensee must permit any authorised person, at all reasonable times, to enter and inspect any property on which a licensed activity is taking place and inspect any facility, equipment, machinery, books, account or other documents and gather any information in accordance with the Act and the Rules.

## **9 Participation of Historically Disadvantaged South Africans**

- 9.1 The Licensee must annually provide the Energy Regulator with the information contemplated in Regulation 5 in the Regulations regarding mechanisms to promote historically disadvantaged South Africans.
- 9.2 The Licensee must annually provide the Energy Regulator with the information regarding Historically Disadvantaged South Africans as prescribed in the Regulations.
- 9.3 The Licensee must submit the information contemplated in 9.2 above to Energy Regulator within 30 (thirty) days of its financial year end.

## **10 Transaction recording and Regulatory Financial Reporting**

- 10.1 The Licensee must keep detailed records of all gas trading transactions and agreements entered into.
- 10.2 The Licensee must maintain separate accounts for its gas trading activities and compile gas trading data separately from any other accounts or data collection.
- 10.3 The separately maintained accounts must be prepared in accordance with the Regulatory Report Manuals as prescribed by the Energy Regulator.

## **11 Correspondence with the NERSA**

- 11.1 All official communication by the Licensee with the Energy Regulator must be in writing, signed and addressed to the Energy Regulator.

11.2 The Licensee must in all correspondence with the Energy Regulator quote the licence reference number as it appears on this licence certificate.

## **12 Monitoring and Provision of Information**

12.1 The Licensee must keep all records relating to the compliance or non-compliance with the conditions of this licence. Such records shall be made available to the Energy Regulator within 14 days of receipt of a written request for such records.

12.2 The Licensee must furnish the Energy Regulator with any information in such form and manner and at such times as the Energy Regulator may require in the performance of its duties or functions under the Act.

12.3 The information that the Licensee must furnish the Energy Regulator with must include, but is not limited to the following:

- a) for all of the Licensee's customers, the full names, physical address, annual volumes supplied (in Gigajoules of gas per annum) and actual gas charge (in Rands per Gigajoule of gas) for that financial year. This information must be furnished within three calendar months of the end of the Licensee's financial year;
- b) detailed audited annual financial statements, consisting of a balance sheet, income statement and cash flow statement for each licensed gas facility and activity. This information must be furnished within six calendar months of the end of the Licensee's financial year; and
- c) sufficient information as required by the Energy Regulator for it to determine maximum prices.

12.4 The data supplied by the Licensee in terms of 12.3 (a) above must–

- a) be limited to piped-gas;

- b) separately reflect actual prices, tariff and trading margin as well as any other charges paid by the end consumer excluding taxes;
- c) include meter rental, standing charge and the initial installation charge to the customer, where applicable; and
- d) be reported in Rands per Gigajoule of gas.

### **13. Changes to the licensed facilities**

- 13.1 The Licensee must notify the Energy Regulator of any change to the licensed facilities in advanced of the change being effected.
- 13.2 The Licensee must not effect any change to the licensed trading area that requires an amendment of this licence or a new licence, until an amendment or new licence has been issued by the Energy Regulator.

## **CHAPTER THREE: SPECIFIC CONDITIONS**

### **14 Advisory service to customers on safety, efficient use, handling and storage of gas**

14.1 The Licensee must provide an advisory service, as approved by the Energy Regulator, to customers other than Eligible Customers on the safe and efficient use, handling and storage of gas.

14.2 The advisory service to customers must include, but is not limited to, the provision of the following information-

- a) information on the technical specifications and chemical properties of gas relevant to its use;
- b) the proper procedure for the reporting of gas leaks or equipment defects; and
- c) safety procedures to be followed and the appropriate dedicated telephone numbers to call in case of an emergency, at any hour on any day.

### **15 Pricing**

15.1 The Licensee must not charge prices above the maximum prices approved by NERSA.

15.2 The Licensee must within a period of three months of the date of issue of the licence and whenever directed by the Energy Regulator thereafter, provide sufficient information as required by the Energy Regulator for it to determine maximum prices in accordance with section 21(1)(p) of the Act.

15.3 The Licensee must not cross-subsidise between its gas trading activities and any other activities.

15.4 When gas is sold, the Licensee must, in the accompanying sales invoice, itemise the constituent elements of the total price reflected on the invoice,

including at least the cost of gas, any transportation tariffs and any other charges.

15.5 The invoices issued by the Licensee to customers and consumers must indicate: -

- a) the acquisition or production cost of the gas; and
- b) details of all tariff charges applied and trading margin including metering and other charges.

## **16 Non-discrimination**

16.1 The Licensee may not discriminate between customers or classes of customers regarding access to tariffs, prices, conditions or service, except for objectively justifiable and identifiable differences as approved by the Energy Regulator in terms of section 22(1) of the Act.

## **17 Eligible Customers and reticulators**

17.1 The Licensee must not prevent or hinder Eligible Customers and reticulators within the licensed trading area from purchasing gas from any other gas supplier.

17.2 The Licensee must, in writing, inform each individual customer and the Energy Regulator when any of the Licensee's customers meet the qualifying threshold or requirements of an Eligible Customer as set out in the Regulations.

17.3 The Licensee must annually furnish the Energy Regulator with the following information regarding Eligible Customers within three calendar months of the end of the Licensee's financial year:

- a) The full names and physical addresses of all customers that met the qualifying threshold or requirements of an Eligible Customer during that financial year; and
- b) The volume of gas (in Gigajoules of gas per annum) supplied via distribution pipelines to each of the Eligible Customers in (a) above in that financial year.

## **18 Whole licence**

18.1 This licence constitutes the entire licence and supersedes all prior understandings and agreements between the Licensee and the Energy Regulator.

18.2 This licence must not be construed as authorising the Licensee to:

- a) Trade in gas in any area other than that identified in **ANNEXURE A** hereto; or
- b) Trade in any gas that does not conform to the range of gas specifications as set out in and attached as **ANNEXURE C** hereto.

**ANNEXURES:**

**Annexure A: Licenced area defined by Geographic Information System (GIS in map format)**

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## Annexure B: Specifications of natural gas permitted for trading under this licence

**Table 1: Combustion Properties of gas**

Property	Units	Limits ( Min/Max)	Notes
Energy content (HHV)	MJ/m <sup>3</sup> <sub>n</sub>	38.1 - 43.5	1 <sup>1</sup>
Wobble index	No units	50.9 - 55.1	2 <sup>2</sup>
Relative density (RD)	No units	0,55 - 0,70	3 <sup>3</sup>
Total Sulphur	mg/m <sup>3</sup> <sub>n</sub>	0 – 15.0	
Methane	vol%	88.0 – 98.0	
Carbon Dioxide	vol%	0 – 2.0	
Nitrogen	vol%	0 – 3.0	
Total inerts	vol%	0 – 5.0	
Hydrogen Sulphide	mg/ <sup>3</sup> <sub>n</sub>	0 – 4.0	
Odourising Agent (S	mg/m <sup>3</sup> <sub>n</sub>	0 – 20.0	

<sup>1</sup> NORMAL CUBIC METER (m<sup>3</sup>) shall mean a cubic meter, the reference conditions of measurement being 0 degrees Celsius at a pressure of 101.235 KPa and a free of water vapour these conditions

<sup>2</sup> WOBBLE INDEX shall mean the index obtained when the energy content of the gas in (MJ/m<sup>3</sup><sub>n</sub>) is divided by the square root of the relative density of the gas.

<sup>3</sup> RELATIVE DENSITY (relative molecular weight), shall mean the ratio of the average molecular weight of gas to that of air (28.97)

## **Annexure C: Codes and Standards and Legislations**

1. The Licensee must comply with all relevant codes and standards including but not limited to the following:
  - (a) ASME B31.8-2010 – Gas Transmission and Distribution Piping Systems
  - (b) ASME B31.8S – Managing System Integrity of gas pipelines
  - (c) ASME VIII – Rules for construction of Pressure Vessels
  - (d) ASME 16.5 – Pipe flanges and flanged fittings
  - (e) SANS 208 – The design and installation of compressed natural gas (CNG) vehicle filling stations
  - (f) NFPA 52 – National Fire Protection Association
  - (g) NFPA 54 – National Fuel Gas Code
  - (h) SANS 10019 – Transportable metal containers for CNG basic design, manufacture, use and maintenance;
  - (i) SANS 10228 – Identification and classification of dangerous goods of transport;
  - (j) SANS 10231 – Transport of dangerous goods: Operational requirements for road vehicles;
  - (k) SANS 10323 –2 – Transport of dangerous: Emergency information Systems;
  - (l) SANS 10232 – 3 – Emergency Response guides;
  - (m) SANS 10087:6 2006 – The application of liquefied petroleum and compressed natural gasses at engine fuels for internal combustion engines;
  - (n) SANS 20110:2003 – Uniform provisions concerning the approval of: 1) Specific components for motor vehicles using CNG in the propulsion system; 2) Vehicles with regard to the installation of specific components of an approved type for the use of CNG in their propulsion;
  - (o) SANS 208:2005 – The design and installation of CNG filling stations;

- (p) SANS 29001: 2006 – Sector specific quality management system for, petroleum, petrochemical and natural gas industries – requirements for product and service supply organisations;
- (q) SANS 13631: 2003 – Packed reciprocating gas compressors;
- (r) SANS 347 – Pressure vessels and pressurized systems;
- (s) SANS 10227–Inspection in terms of the Pressure Equipment Regulations;  
and
- (t) AGA-7 – Turbine meter operation and maintenance.

2. The Licensee must also comply with all other relevant legislation, including but not limited to the following:

- (a) The Occupational Health and Safety Act, 1993 (Act No. 85 of 1993);
- (b) The National Environmental Management Act, 1998 (Act No. 107 of 1998);
- (c) The Environment Conservation Act, 1989 (Act No.73 of 1989);
- (d) The National Water Act, 1998 (Act No. 36 of 1998);
- (e) The Water Services Act, 1997 (Act No. 108 of 1997);
- (f) The National Environmental Management Air Quality Management Act, 2004 (Act No. 39 of 2004);
- (g) The Hazardous Substances Act, 1973 (Act No. 15 of 1973);
- (h) The Health Act, 1977 (Act No. 63 of 1977);
- (i) National Health Act, 2003 (Act No. 61 of 2003);
- (j) The National Building Regulations and Building Standards Act, 1977 (Act No. 103 of 1977); and
- (k) Construction Regulations, 2003.