



**ROYALE ENERGY TERMINALS (PTY) LTD
STORAGE FACILITY ALLOCATION MECHANISM**

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1. EXECUTIVE SUMMARY

This document defines Royale Energy Terminals (Pty) Ltd (Royale Terminals) allocation mechanism required by the Pipelines Petroleum Act (2003) detailed in the Government Gazette, 4 APRIL 2008.

The following key principles define how Royale Terminals will allocate spare capacity to third parties at storage facilities licensed under the Act.

- **Tariff schedule:** Royale Terminals 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 Royale Terminals replenishment cycle. Royale Terminals 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 Royale Terminals 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 driver HSE compliant.
 5. Agree on contractual terms and conditions.
 6. Agree on the MOC process.
- **Allocation rules:** Royale Terminals 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 lose it principle applies.

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

2. TARIFF SCHEDULE

To be included once schedule is finalised by NERSA.

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, Royale Terminals 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 Royale Terminals 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. Royale Terminals 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 Royale Terminals, 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 pipeline or road. For replenishment to occur by these modes 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 pipeline replenishment, Transnet provide assurance on the product quality and therefore no further testing of the product is required before discharge into the facility.
- For road replenishments, provided the road tankers are loaded by Royale Terminals 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 Royale Terminals or its agent, or the seals have been altered, Royale Terminals reserves the right to isolate the product pending testing thereof by a Royale Terminals appointed agent at the product owner's expense.

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

4. ACCESS REQUIREMENTS TO THE FACILITY

All parties requiring access to a Royale Terminals 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). The process to request access by a third party is covered in Annexure E.

4.1. Anti-Corruption Due Diligence

Royale Terminals Group policy requires that all parties with which Royale Terminals holds a business relationship must be vetted prior to entering into a contractual relationship with Royale Terminals. Royale Terminals 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 Royale Terminals' 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 Royale Terminals 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.

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

Further, Royale Terminals 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 required to be compliant with the Electronic Data Interchange (EDI) model and standards applicable to Industry. This is essential as Royale Terminals manages product, payments and other transaction use specific systems which all parties requiring access to a facility need to be aligned with. This will ensure effective and accurate data transfer and product movement management. Further detail is defined in Annexure C.

4.4. Vehicle and driver HSSE requirements

Parties requiring access are required to have their vehicles and drives vetted to align them with Royale Terminals's Health, Safety, Security and Environment (HSSE) standards. Compliance with these requirements is a pre-condition to a third party entering a Royale Terminals facility and Royale Terminals 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 Royale Terminals storage facility.

4.5. Contractual terms and conditions

All parties are required to agree and sign the attached contractual agreement (Annexure B) setting out the terms and conditions of accessing and utilising a Royale Terminals 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 D) 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 Royale Terminals 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

In process: to be finalised by NERSA.

6.2. Annexure B: Contractual Agreement

In process: to be finalised by NERSA.

6.3. Annexure C: EDI Compliance Rules

1. All product movements between host and tenants to be done using EDI message sets as follows:

Message	Description
OILORD	To order product: uplift or replenishment
OILRSP	Confirmation of receipt of OILORD
OILNOT	Replenish ment only – used to notify host of impending arrival of product
OILREC	Replenish ment only – used to acknowledge receipt of product by host
OILMOV	Confirmation of movement of product

All messages are as per the Industry EDI Interchange Agreement (as amended) and is maintained by the Oil Industry EDI Forum. The above is a sample of the messages and a full set is obtainable from the EDI Forum.

2. When a party wants to load product, an OILORD is needed. Product will not be supplied if there is no OILORD. Industry has adopted this as a 'NO ORDER – NO PRODUCT' rule.
3. EDI Messages can be used for various product exchange models:
 - a) Borrow Loan
 - b) Throughput
 - c) Buy-Sell
4. Messages must be appropriately coded to distinguish which model is used.

5. Messages must be sent within agreed lead times. For normal truck loads at a loading facility, orders (OILORD) can be sent up to two hours before actual load. Once movements are completed the actualization message (OILMOV) must be sent within 24 hours.
6. All EDI trading partners acknowledge that the EDI message is NOT a proof of delivery. There specified document (per Mode of Transport) constitutes proof of volumes being delivered. Details of these are obtainable from the EDI Forum.
7. New entrants can elect to be part of the EDI Forum – there are four industry meetings held per year, with special sub-committee meetings as required.

The above are a brief synopsis of some of the rules pertaining to the operations of the Industry EDI model.

6.4. Annexure E: Process to request access.

- a) A third party may contact the following designated people first within Royale Terminals regarding access to Royale Terminals facilities.

The Manager: Royale Energy Terminals

Mr. Peter Noke

Email: peter@royale.co.za

Telephone: +27828010065

- b) Royale Terminals will accept as a method of correspondence email and/or telephone.
- c) Following discussions with the designated Royale Terminals person a third party will be required to complete an Application form (Attached in Annexure E) which needs to be accompanied by a written letter requesting access and giving information concerning petroleum to be stored.
- d) Royale Terminals requires the third party to provide all the relevant supporting documentation stipulated in the Application form (Attached in Annexure E).
- e) The address to which the application should be directed is:

Royale Energy (Pty) Ltd

First Floor, Unit 4

Berkley Office Park

8 Bauhinia Street

Technopark, Centurion

Royale Terminals will respond to the application within 10 working days after submission.

f) Application Form:

PRELIMINARY 3RD PARTY ACCESS APPLICATION FORM

ADMINISTRATIVE DETAILS

COMPANY NAME	
COMPANY REGISTRATION NUMBER	
WHOLESALE LICENCE NUMBER	
LEVEL OF BLACK SHAREHOLDING (%)	
LEVEL OF BLACK WOMAN SHAREHOLDING (%)	
TYPE OF ENTITY	(MARK WITH AN X)
EME	
QSE	
LARGE ENTERPRISE	
ADDRESS	
CONTACT NUMBER	
OFFICE	
CELL	
CONTACT PERSON	
SURNAME	
NAME	

OPERATIONAL DETAILS

ROYALE FACILITY ACCESS REQUIRED	
NAMES	
LICENCE NUMBERS	
PRODUCT TO BE STORED	
GRADES	
(SANS) SPECIFICATION	
THROUGHPUT CAPACITY REQUIRED	
VOLUME (M3)	
DURATION OF STORAGE	
DISCHARGE MODE OF TRANSPORT	(MARK WITH AN X)
ROAD	
RAIL	
PIPE	
UPLIFT MODE OF TRANSPORT	(MARK WITH AN X)
ROAD	
RAIL	
PIPE	