



**LICENCE CONDITIONS FOR THE OPERATION OF A GAS
DISTRIBUTION FACILITY IN THE MEYERTON AREA,
EKURHULENI METROPOLITAN MUNICIPALITY, GAUTENG
PROVINCE**

Licence Number: Gala.d.F3/1001/14/2006

ANNEXURES:

Annexure A: Licensed area defined by the Geographic Information System (GIS) grid (in map format)

Annexure B: GPS coordinates for the Geographic Information System (GIS) grid defining the licensed area (in table format)

Annexure C: Specifications of natural gas permitted for distribution under this licence

Annexure D: Operating standards for the licensed activity

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DEFINITIONS

In these licence conditions any word or expression to which a meaning has been assigned in the Act 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.

“eligible customer” means a customer who in the prescribed manner may buy gas directly from suppliers without the intervention of a distribution company and meets the qualifying threshold or requirements set out in regulation 3 of the Regulations.

“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.

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

“Operation and maintenance plan” means a written plan developed by the Licensee in accordance with the codes listed in **Annexure D** hereto.

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

“Rules” means Rules made by the Energy Regulator 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.

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CHAPTER ONE: LICENSED ACTIVITIES

1 Licensed Activities and licensed area

- 1.1 The NERSA grants the Licensee a licence to operate the gas distribution facilities in the Meyerton area as indicated in **Annexure A** and demarcated by the GPS coordinates in **Annexure B** hereto.
- 1.2 The Licensee is granted to the licensee to operate the gas distribution facilities, as indicated in Annexure A hereto, with a maximum operating pressure of seven bar gauge.
- 1.3 This licence only applies to gas conforming to the gas specifications as set out in and attached as **Annexure C** hereto.
- 1.4 The Licensee must carry out the gas distribution 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.
- 1.5 The Licensee may not assign this licence to another party.

2 Duration of Licence

- 2.1 The licence is valid for a period of twenty-five years (25 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 Amendment of Licence

- 3.1 This licence may be amended by the Energy Regulator in accordance with the Act and the Rules.

4 Exclusivity of the licence

- 4.1 The Licensee has exclusive rights to operate the licensed gas distribution facilities in the licensed area as defined in 1.1 and 1.2 above, but only for the gas specifications defined in 1.3 above.
- 4.2 The Licensee's exclusive geographic areas exclude direct sales via physical by-passes to Eligible Customers who may alternatively have access to the gas distribution network at a gas distributor's discretion.

CHAPTER TWO: GENERAL CONDITIONS

5 Revocation of licence

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

6 Compliance

- 6.1 The Licensee must at all times comply with the conditions of this licence, the Act and the Rules.
- 6.2 This licence is granted only in terms of the Act and for the activities specified and described in 1.1 above. Any other activity listed in section 15 of the Act that is not specified above is not authorised by this licence.
- 6.3 This licence does not exempt the Licensee from compliance with any other legislation.

7 Changes in Licensee Particulars

- 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 at all times provide the Energy Regulator with the details of any changes in the 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.

7.3 The Licensee must notify the Energy Regulator if the composition of directors of the company changes.

7.4 The notifications contemplated in 7.1, 7.2 and 6.3 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 time, 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 regarding Historically Disadvantaged South Africans as prescribed in the Regulations.

9.2 The Licensee must submit the information contemplated in 8.1 above to the Energy Regulator within 90 (ninety) days of its financial year end.

10 Transaction recording and Regulatory Financial Reporting

- 10.1 The Licensee must keep detailed records of all gas distribution transactions and agreements entered into.
- 10.2 The Licensee must from 01 July 2009 comply with the requirements on Regulatory Financial Reporting as prescribed by the NERSA in the Regulatory Reporting Manuals.
- 10.3 The Licensee must maintain separate accounts for its gas distribution activities and compile gas distribution data separately from any other accounts or data collection. The separately maintained accounts must be prepared in accordance with the Regulatory Report Manuals as prescribed by the Energy Regulator.

11 Correspondence with the Energy Regulator

- 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 shall 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 and the Gas Act Rules.
- 12.3 The information that the Licensee must furnish the Energy Regulator with must include, but is not limited to the following:
- a) Detailed audited annual financial statements, consisting of a balance sheet, income statement and cash flow statement for each licensed gas facility. This information must be furnished to the Energy Regulator within six calendar months of the end of the Licensee's financial year;
 - b) Details of any changes to the Licensee's health, safety and emergency plans. Details of changes to these plans must be submitted to the Energy Regulator within three calendar months of such changes being effected.

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 facilities that requires an amendment of this licence or a new licence, until an amendment or new licence has been issued by the Energy Regulator.
- 13.3 Any change to the licensed facilities must be done in accordance with the standards listed in **ANNEXURE D** hereto.

14 Temporary amendment of conditions of licence

- 14.1 The conditions of this licence may be temporarily changed by the NERSA in an emergency.

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CHAPTER THREE: SPECIFIC CONDITIONS

15 Obligation to supply

15.1 The Licensee must supply gas to customers in the licensed distribution area -

- (a) without interruption, unless the interruption is in accordance with a supply agreement with a customer, or is necessary for the maintenance of equipment or other facilities or results from *force majeure*;
- (b) at no higher pressure than the maximum pressure stated in condition 1.2 above; and
- (c) within the gas specifications outlined in **Annexure C** hereto.

16 Operation and Maintenance of the distribution facilities

16.1 The Licensee must operate, maintain, decommission, recommission or abandon the licensed distribution facilities in accordance with the standards as listed in **ANNEXURE D** hereto.

16.2 The Licensee must develop, implement and maintain the following management plans-

- a) An operating and maintenance plan;
- b) An emergency plan; and
- c) A decommissioning plan, where applicable.

in accordance with the applicable and relevant standards, codes and legislations as listed in **ANNEXURE D** hereto.

16.3 The Licensee must submit the management plans contemplated in 16.2 (a) and (b) above to the Energy Regulator within three months from the date of issue of this licence.

16.4 In the event of amendments to or changes in the requirement of the standards and codes listed on **ANNEXURE D** hereto, the Licensee must submit the consequent amendments or changes to the plans mentioned in 16.2 above to the Energy Regulator within three months of such amendments to or changes in the requirements of the standards and codes.

16.5 The Licensee must comply with the provisions of the Regulations regarding the rehabilitation of land.

17 Maintenance and Interruption of operations

17.1 The Licensee must notify the Energy Regulator and its affected customers of any planned or unplanned:

- a) Interruptions in the supply or delivery of gas; and
- b) Maintenance and repair work that may affect the supply or delivery of gas.

17.2 Notifications of all planned interruptions or maintenance and repair work that may affect the supply or delivery of gas to customers must be provided in writing to both the Energy Regulator and the affected customers at least three days in advance of the planned interruption or maintenance and repair work.

17.3 Notifications of all unplanned interruptions or maintenance and repair work due to unforeseen events must be provided in writing to both the NERSA and the affected customers within 48 hours of the occurrence of the interruption or maintenance and repair work.

17.4 Any maintenance or repair work to the licensed activity must be done in accordance with the standards listed in **ANNEXURE D** hereto.

18 Non-discrimination

18.1 The Licensee may not discriminate between customers or classes of customers regarding access to gas distribution facilities, tariffs, prices, conditions or service, except for objectively justifiable and identifiable differences as approved by the Energy Regulator.

19 Ancillary Obligation

19.1 The Licensee is responsible for compliance with all licence conditions during any contracted work on the gas distribution facilities or services that are the subject of this licence.

19.2 The Licensee must ensure that reasonable publicity is given to the ways in which public can contact the Licensee for the purposes of reporting emergencies.

20 Eligible Customer and reticulators

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

20.2 The Licensee must comply with regulation 3(4) of the Regulations.

20.3 The Licensee must, in writing, inform each individual customer and the NERSA when a customer meets the qualifying thresholds or requirements of an Eligible Customer as set out in regulation 3 of the Regulations.

20.4 The Licensee must annually furnish the NERSA 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 thresholds or requirements of an Eligible Customer during that financial year;

(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; and

(c) the volume of gas (in Gigajoules of gas per annum) supplied via transmission pipelines to each of the Eligible Customers in (a) above in that financial year.

21 No cross-subsidisation

21.1 The Licensee must manage the operation of gas distribution activities contemplated in Chapter One above separately with separate accounts and data and with no cross-subsidisation.

22 Whole licence

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

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

a) Distribute gas in any area other than that identified in **ANNEXURE A** hereto; or

- b) Distribute any gas that does not conform to the range of gas specifications as set out in and attached as **ANNEXURE C** hereto.

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