

BOTSWANA ENERGY REGULATORY AUTHORITY

BOTSWANA POWER CORPORATION 2027/28 ELECTRICITY TARIFF ADJUSTMENT APPLICATION

PUBLIC CONSULTATION DOCUMENT

BERA
BOTSWANA ENERGY REGULATORY AUTHORITY
Regulating Energy with Integrity

BOTSWANA POWER CORPORATION ELECTRICITY TARIFF ADJUSTMENT APPLICATION FOR THE 2028 FINANCIAL YEAR (2027/28).

1.0 BACKGROUND

1.1 The Botswana Power Corporation (BPC) has submitted an application requesting an adjustment of electricity tariffs for the 2027/2028 financial year, commencing 1 April 2027. BPC is proposing an average electricity tariff increase of 33% across its customer categories. In its application, BPC indicates that it requires approximately P10.774 billion to meet its projected revenue requirements for the 2027/2028 financial year. BPC further reports that its current average cost of supplying electricity is approximately P2.41 per kilowatt-hour (kWh), which is higher than the tariffs currently charged to several customer categories. The application does not make provision for a government subsidy to cushion consumers against the proposed increase.

1.2 The tariff review is accordingly being undertaken pursuant to Section 57(1) of the BERA Act, which provides that the Authority may review a tariff: (a) where the Authority considers it necessary in the interests of customers, consumers and other users; (b) where the tariff is due for periodic review, as determined by the Authority from time to time; or (c) where the Authority determines, either on its own initiative or following a written application by a licensee, that a material change in circumstances has occurred, making a tariff review necessary.

1.3 Section 17(1) of the BPC Act [CAP 74:01] requires BPC to conduct its affairs in accordance with sound commercial principles and to set electricity charges at sufficient levels to generate revenue that provides a reasonable return on the fair value of its assets. BPC's ability to meet this requirement has been constrained in recent years, as reflected in its cumulative net losses.

1.4 The Corporation has reported on the development of its new five-year Strategic Plan covering the period from the current financial year to 2030/31. The Plan is directed at building a resilient and future-ready energy organisation, with a focus on strengthening operational efficiency, financial sustainability, generation capacity and security of electricity supply. The proposed tariff adjustment is presented as being aligned with these strategic priorities and as supporting the Corporation's ability to deliver on its mandate sustainably and respond to Botswana's evolving energy needs.

1.5 The approval of an average tariff increase of 9% in July 2026 represented a step towards improving cost recovery and progressing towards cost-reflective tariffs. Notwithstanding the adjustment, a material gap remains between prevailing tariffs and the cost of electricity supply. BPC therefore continues to report challenges in progressing towards fully cost-reflective tariffs while maintaining the financial sustainability and reliability of electricity supply. The Corporation has identified the principal factors affecting its cost of supply and financial sustainability as including the reliability and availability of local generation, and the effective management of the transition towards increased generation from Independent Power Producers (IPPs) operating under cost-reflective Power Purchase Agreements (PPAs).

1.6 As the Corporation's generation portfolio increasingly incorporates IPPs, the maintenance of a financially sustainable revenue base is important to BPC's capacity to meet its contractual payment obligations to power producers and other suppliers on a timely basis. In this regard, the proposed tariff adjustment is presented not only as a measure to improve cost recovery, but also as a component of the Corporation's long-term financial sustainability and the development of an enabling environment for a private-sector-led electricity market.

1.7 The BPC reports that the prolonged period of limited tariff adjustments, together with continuing increases in the cost of electricity supply, has contributed to persistent revenue under recovery and placed further pressure on the Corporation's financial position. During 2026, fuel

prices in Botswana increased significantly following sharp increases in international oil prices and heightened geopolitical tensions in the Middle East. In March 2026, fuel prices increased by approximately 28% for petrol 95 and 44% for diesel 50ppm, resulting in additional fuel-related operating costs for BPC. The Corporation's continued reliance on electricity imports, particularly from South Africa and other regional markets, has also exposed it to external cost pressures. Further, the devaluation of the Pula against major trading currencies has increased the Pula-denominated cost of imported electricity and foreign-currency obligations, adding to the Corporation's financial pressures. These factors have contributed to the gap between the cost of electricity supply and revenue recovered under prevailing tariffs and underscore the need for a tariff level that progressively improves cost recovery and supports the Corporation in meeting its obligations.

The Corporation's historical financial performance and position are summarised in the table below.

Table 1: Historical Under Recoveries of Costs

	Audited Financial Results							Unaudited Financial Results	Management Accounts	Forecasted Results
Financial Years	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Average Selling Price per unit (thebe/kWh)	94	105	105	126	128	127	127	127	148	166
Average Cost per unit after financial items (thebe/kWh)	119	126	170	140	159	163	238	235	234	241
Over/Under Recoveries after Financial Items (thebe/kWh)	**-25**	**-21**	**-65**	**-14**	**-31**	**-36**	**-111**	**-108**	**-87**	**-75**

1.8 In response to the challenges relating to the reliability and availability of local generation, the Corporation has reported that it is pursuing two key initiatives: improving the operational performance and availability of Morupule B Power Station and increasing the procurement of generation capacity from IPPs. The stated objectives of these initiatives are to strengthen domestic generation capacity,

reduce exposure to electricity imports, and improve the security and reliability of supply.

1.9 The remediation programme intended to improve the availability and reliability of Morupule B Power Station is reported to be progressing well. Two units have been successfully remediated, while the remaining two units are being managed under an enhanced maintenance strategy. These interventions are expected to improve plant performance, strengthen the reliability of local generation and reduce BPC's exposure to higher-cost electricity imports.

1.10 The Corporation reports that it is implementing operational efficiency measures intended to minimise its reliance on Government funding. These measures include the conversion of meters from postpaid to prepaid to enhance debt collection, strengthening revenue protection, improving generation efficiencies, optimising contract value and undertaking organisational realignment projects. The Corporation further indicates that it is addressing inefficiencies through zero-based and activity-based budgeting and the use of technology, including SCADA and GIS, to support sustainable operations.

1.11 The Corporation reports progress in diversifying and strengthening the domestic generation portfolio through the procurement of power from IPPs. PPAs have been concluded with several developers, while additional generation projects are at various stages of development. These projects are expected to increase domestic generation capacity, reduce reliance on imported power and enhance security of supply. At the same time, the increased integration of IPP-generated power gives rise to long-term contractual payment obligations for the Corporation, reinforcing the importance of a financially sustainable tariff level that progressively reflects the cost of supply.

1.12 During the period under review, two major Solar PV IPP plants in Mmadinare and Jwaneng achieved commercial operation, together contributing 200 MWp of solar generation capacity during daylight

hours. The construction and commissioning of the projects were undertaken in collaboration with BPC, particularly in relation to grid interconnection infrastructure and associated works. The plants contribute an average of 7–8% of national energy demand. Table 2 provides an overview of the key generation expansion projects and their current implementation status.

Table 2: Major Ongoing Power Generation Projects

Project Name	**Awarded**	**Expected Completion Date**	**Notes**
600MW Coal Mmamabula	Yes	Phase 1: 300MW Q1-150MW (2027/2028) and Q2 -150MW Phase 2: 300MW commissioning scheduled for end of 2028	At Construction.
Maun BESS 500MW	YES	Q3 (2028/2029)	Closure of Conditions Precedent to PPA in progress. Early Construction for the first 50 MWp and 100MWh BESS has been conditionally granted.

2.0 TARIFF REQUIREMENTS

2.1 The Corporation attributes its continuing financial pressures primarily to tariffs that remain below the cost of electricity supply, together with rising electricity import costs and increases in the cost of local generation arising from higher input prices. The Government of

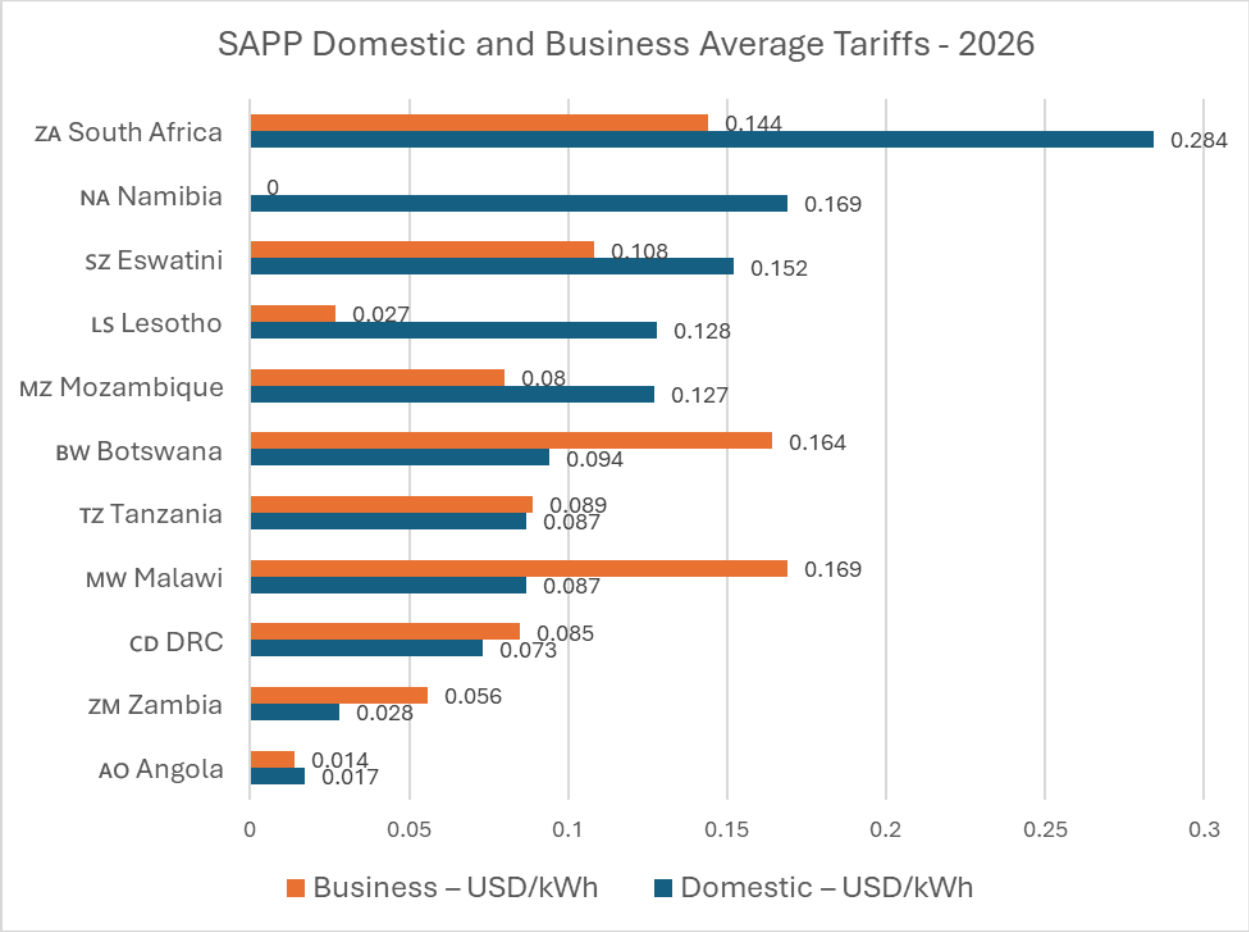
Botswana has continued to provide financial support to mitigate the effects of tariff under-recovery and maintain the stability of electricity supply. However, the scale of the funding gap, alongside broader fiscal and economic pressures, has increasingly constrained the Government's ability to fully offset the difference between the cost of electricity supply and the revenue recovered through prevailing tariffs. This position highlights the need for a progressive transition towards more cost-reflective tariffs, with the stated objectives of strengthening BPC's financial sustainability and reducing its reliance on Government support.

2.2 The proposed tariff adjustment for the 2027/28 financial year is based on the Corporation's annual revenue requirement of P10.774 billion. Based on current projections, this level of revenue is expected to generate a net profit of P168 million, which is materially below the P612 million return required on the Corporation's asset base. BPC accordingly cites this shortfall as a further basis for the proposed tariff adjustment, with the objective of progressively improving cost recovery and supporting its long-term financial sustainability.

2.3 BPC has provided a comparison of household and business electricity tariffs across the region as shown at Graph 1. The data shows that the Corporation's household electricity tariffs remain among the lowest in the SAPP region. Utilities with lower tariffs than BPC generally have a substantially higher reliance on hydropower, which has relatively low marginal operating and direct input costs compared with thermal generation. By contrast, BPC's baseload generation is predominantly coal-fired and is consequently exposed to higher fuel, operating and maintenance costs. Differences in generation mix are therefore relevant when undertaking regional tariff comparisons, as they have a material bearing on the underlying cost of electricity supply.

Graph 1 presents a comparison of household and business electricity tariffs across the region.

Graph 1: Tariff comparison in the region as of June 2026



Source: Globalpetrolprices.com

2.4 In developing its proposal, the Corporation has applied differentiated tariff adjustments across customer categories and domestic consumption bands, ranging from 25% to 65%, with higher adjustments proposed for higher domestic consumption bands. The proposed structure is intended to address the revenue shortfall progressively while taking account of consumption patterns, affordability considerations and cost-recovery requirements across the respective customer categories.

2.5 Table 3 sets out the proposed tariff adjustment rates for the respective customer categories.

Table 3: Tariff Adjustment rates

SUB-CATEGORY	Tariff 2026/27 in Pula	Tariff 2027/28 in Pula	Projected PULA SALES 2027/28
Domestic (1 kWh -100kWh)	0.71	0.92	543,968,980.68
Domestic (101 kWh -200kWh)	0.71	1.07	413,955,529.68
Domestic (201 kWh -600kWh)	1.45	2.04	948,719,649.00
Domestic (601 kWh -1200kWh)	1.45	2.25	230,710,727.30
Domestic (above 1200kWh)	1.45	2.40	111,363,517.59
Government-main	3.20	4.32	1,095,545,675.86
Water Pumping	2.31	3.11	306,232,796.65
Mining	1.76	2.37	1,461,471,217.92
Botash	1.52	2.05	44,708,043.64
Commercial- Large Power Users	2.01	2.71	1,755,062,856.79
Commercial- Medium Power Users	2.33	2.92	1,273,301,657.31
Commercial- Small Power Users (0 to 500kWh)	1.46	1.90	208,920,312.20
Commercial- Small Power Users (over 500kWh)	2.21	2.87	523,250,650.84
	1.70	**2.25**	**8,917,211,615.46**

2.6 Having regard to the proposed tariff adjustment and the Corporation's objective to operate on sound commercial basis, the BPC considers that a weighted upward tariff adjustment of P0.55/kWh is required to enable it to discharge its mandate effectively, while taking account of the impact on customers and the objective of mitigating the burden on Government.

2.7 Domestic Customers: The proposed domestic tariff structure is based on average consumption bands and is intended to balance cost recovery, affordability and equity. The structure seeks to protect essential household electricity consumption, particularly for vulnerable customers, while ensuring that customers contribute progressively towards the cost of electricity supply. The approach reflects the need to improve tariff cost-reflectivity while avoiding an undue burden on households, and to support a balanced transition towards financially sustainable electricity tariffs.

2.8 Small and micro enterprises: In support of SME development and economic empowerment, BPC proposes a preferential tariff structure for SMMEs. Under the proposal, customers consuming less than 500 kWh per month would be charged P1.90/kWh, while customers consuming more than 500 kWh per month would be charged P2.87/kWh.

2.9 The proposed tariff increases for medium and large businesses, mining and Government customers are primarily intended to recover costs associated with electricity generation and contractual power purchases from IPPs. The current average cost per unit produced is P2.41/kWh, and is presented by the Corporation as supporting cost recovery and broadly aligned with the proposed tariff rates for customer categories.

3.0 FINANCIAL FORECAST

3.1 Table 5 sets out the Corporation's financial forecast.

Table 5: Financial forecast

Description	2027/28	2028/29	2029/30	2029/31
Average Sales Price (thebe/kWh)	225.34	266.81	305.07	318.36
Average Cost per unit after financial items (thebe/kWh)	256.93	356.13	399.89	424.02
Gain/(Loss) per unit of sale after financial items (thebe/kWh)	(31.59)	(89.32)	(94.83)	(105.65)
Revenue Under recovery (BWP millions)	(1,249)	(3,590)	(3,871)	(4,383)
Other income (BWP millions)	1,418	3,812	4,586	5,039
Government Support (BWP millions)	-	-	-	-
Tariff Increases	33%	18%	14%	4%
Net Profit/(Loss) (BWP millions)	**168**	**222**	**715**	**656**

3.2 The financial forecast provided by BPC indicates that the proposed average tariff adjustment of 33% for 2027/28 would result in a projected net profit of P168 million. The forecast further reflects the Corporation's expectation that the proposed tariff adjustments in subsequent years would address its current financial challenges. This

projection should be considered in the context of the substantial accumulated net losses carried forward from prior periods, which continue to affect the Corporation's financial position.

4.0 CONCLUSION

4.1 Based on the foregoing, the Corporation proposes that the Botswana Energy Regulatory Authority approve the proposed tariff adjustments across BPC's electricity tariff customer categories for the 2027/28 financial year, as set out below:

CATEGORY	Average Tariff 2026/27 in Pula	Average Tariff 2027/28 in Pula
Domestic	1.00	1.41
Government	3.20	4.32
Commercial	2.11	2.76
Mining	1.75	2.36
TOTAL	**1.70**	**2.25**

4.2 The Corporation further proposes that the revised tariffs take effect on 1 April 2027.

APPENDIX

Annexure I: Financial Forecast

	2027/28 Proposed Tariff Adjustment	2028/29	2029/30	2029/31
Tariff Adjustment	**33%**	**18%**	**14%**	**4%**
Electricity Sales	8,912.9	10,723.1	12,451.9	13,207.7
Other Income	**1,417.7**	**3,811.8**	**4,585.9**	**5,039.1**
SAPP Wheeling Revenue	20.0	21.0	22.1	23.2
Consumer Financed Project-Recovery	8.8	9.3	9.7	10.2
SAPP Electricity Sales	1,112.7	3,477.7	4,219.9	4,638.2
Other Income	276.2	303.8	334.2	367.6
Consumer Tariff subsidy	0.0	0.0	0.0	0.0
Total Operating Income	**10,330.6**	**14,534.9**	**17,037.8**	**18,246.9**
Direct Input Costs	**4,992.9**	**8,945.6**	**10,803.5**	**11,685.6**
Power Imports	271.0	301.5	335.4	373.1
IPPs	3,462.5	7,229.2	9,360.2	10,149.2
Generation Costs - Morupule A	351.0	359.8	0.0	0.0
Generation Costs - Morupule B	903.9	1,050.4	1,103.0	1,158.1
Other Generation costs (Orapa, Matshelagabedi Plants)	4.5	4.8	5.0	5.2
Other Cost of Sales				
Gross Profit/(loss)	**5,337.7**	**5,589.2**	**6,234.3**	**6,561.3**
Administrative Expenses(excluding depreciation)	**3,534.7**	**3,680.7**	**3,745.3**	**4,023.1**
Staff Costs & Other Indirect staff costs	1,201.0	1,261.0	1,324.1	1,390.3
Generation Operations & Maintenance fees	288.0	161.6	163.6	165.6
Other Administrative Overheads	**2,045.7**	**2,258.1**	**2,257.6**	**2,467.2**
Other maintenance	1,137.2	1,277.2	1,204.2	1,269.2
Transport	90.6	95.1	99.9	104.9
Travel	40.0	41.9	44.1	46.4
Other administrative expenses	304.0	294.9	309.5	421.8
Regulatory fees	59.2	86.0	90.8	91.6
Insurance & Risk	136.9	143.6	150.9	159.0
Consultancy & SAP consultancy	70.9	74.4	78.2	82.1
Commission to prepaid vendors	206.9	245.0	280.1	292.4
Depreciation	1,276.5	1,404.1	1,544.6	1,699.0
Operating profit/(loss)	**526.6**	**504.4**	**944.5**	**839.2**
Growth Rate Debt Service				
Financial items	(272.1)	(217.7)	(174.2)	(139.3)
Impairments/Provisions	(86.2)	(64.7)	(55.0)	(44.0)
Total financial items/Provisions	**-358**	**-282**	**-229**	**-183**
Net Profit/(loss) before tax	**168**	**222**	**715**	**656**
Income tax (charge)/credit				
Net Profit for the Year	**168**	**222**	**715**	**656**
Deferred tax on revaluation of Property Plant and Equipment				
Gains on revaluation of Property Plant and Equipment				
Total Comprehensive Income /(Loss) for the year	**168**	**222**	**715**	**656**
Regulated Rate Base/Asset Base and Working Capital	13,229.51	15,128.28	16,213.03	16,717.66
Rate of Return/Weighted Average Cost of Capital	4.6%	4.6%	4.6%	4.6%
Return On Assets	**612.00**	**699.84**	**750.02**	**773.37**
Taxes	0	0	0	0
Total Expenses	**10,162.4**	**14,312.8**	**16,322.5**	**17,591.0**
Revenue Requirement (without taxes)	**10,774.40**	**15,012.68**	**17,072.50**	**18,364.33**
Revenue Requirement (with taxes)	**10,774.40**	**15,012.68**	**17,072.50**	**18,364.33**