2026 – 2027 BPC Electricity Tariff Application Consultation Paper

15 DECEMBER 2025

BOTSWANA POWER CORPORATION

ELECTRICITY TARIFF REQUIREMENT

BOTSWANA POWER CORPORATION ELECTRICITY TARIFF ADJUSTMENT APPLICATION FOR THE 2027 FINANCIAL YEAR (2026/27).

1.0 BACKGROUND

1.1 Section 17(1) of the BPC Act [CAP 74:01] requires "BPC to conduct its affairs on a sound commercial line, and to prescribe electricity charges to ensure that its revenues are sufficient to produce a reasonable return on the fair value of its assets. BPC is currently in breach of this legal requirement and has been reporting net losses over the previous years.

1.2 Therefore, the tariff review is being made 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 to do so in the interest of customers, consumers and other users; (b) where the tariff is due for periodic review as shall be 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 there has been a material change in the circumstances making it necessary that a tariff be reviewed".

1.3 It is worth highlighting that the Botswana Power Corporation (BPC) has not yet achieved cost reflective tariffs despite the recently approved average tariff adjustment of 24%. This is primarily due to unreliable local generation, heavy reliance on imported power, and escalating input costs, including fuel, maintenance, and financing expenses. As a result, BPC's current revenue streams remain insufficient to sustainably cover its capital investment needs, ongoing operations, maintenance obligations, and financing commitments.

1.4 The prolonged non-adjustment of tariffs, and escalating operating expenditure, has resulted in continuous revenue under-recoveries. These recoveries erode the Corporation's financial performance and position, as evidenced by the table below.

Table 1: Historical Under Recoveries of Costs

	Audited Financial Results									Unaudited Financial Results	Forecasted Results
Financial Years	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Average Selling Price per unit (thebe/kWh)	82	84	94	105	105	126	128	127	127	127	148
Average Cost per unit after financial items (thebe/kWh)	155	148	119	126	170	140	159	163	238	235	249
Over/Under Recoveries after Financial Items (thebe/kWh)	**-73**	**-64**	**-25**	**-21**	**-65**	**-14**	**-31**	**-36**	**-111**	**-108**	**-101**

1.5 To address the issue of unreliable local power generation, the Corporation is pursuing two key aspects: improvement of Morupule B availability and sourcing of electricity generation capacity from greenfield local Independent Power Producers (IPP).

1.6 In terms of improving Morupule B availability, the remediation programme is in progress. The first unit to undergo remediation has now been returned to production and is operating efficiently. The second unit was taken for remediation on 3 November 2024 and is expected to return on the 22 of December 2025, after which the third unit will undergo remediation followed by the fourth unit in two (2) years’ time.

1.7 The Corporation continues to put in place operational efficiency measures to reduce the burden of funding from the Government. Including, conversion of meters from postpaid to prepaid to improve debtors’ collection, revenue protection, introducing generation efficiencies, optimising value from contracts, embarking on organisational realignment projects to close inefficiency gaps using zero-based and activity-based budgeting and leveraging on technology through use of SCADA and GIS.

1.8 On procurement of power from local IPPs, the Corporation has made progress in concluding power purchase agreements from several developers. The table 2 shows progress made with the planned major generation expansion projects.

Table 2: Major Ongoing Power Generation Projects

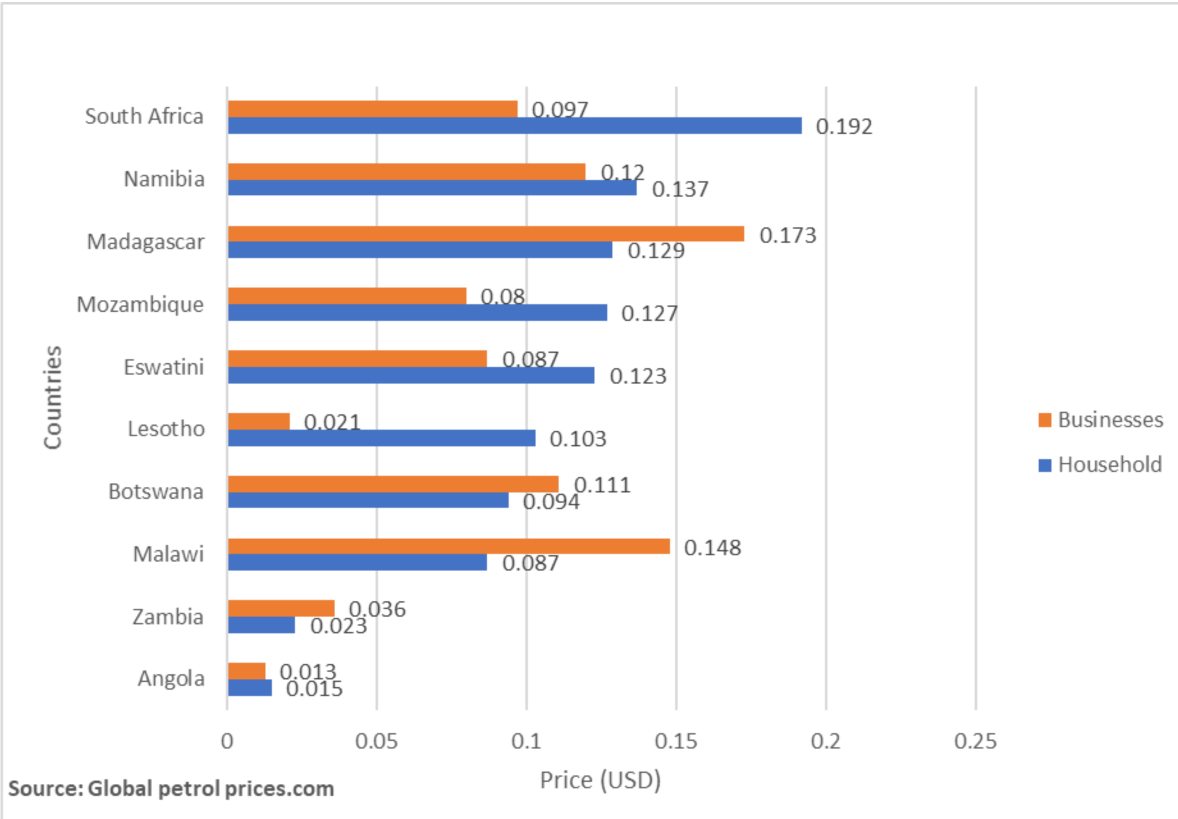
Project Name	Awarded	Expected Completion Date	Notes
50MW Solar PV at S/Phikwe - 1	Yes	February 2025	Completed
50MW Solar PV at S/Phikwe - 2	Yes	Q4 (2025/26)	At Commissioning
600MW Coal Mmamabula	Yes	Q1 (2027/2028)	At Construction
100MW Solar PV at Jwaneng	Yes	Q1 (2026/2027)	At Construction

1.9 Completion of the solar projects will surely have positive financial impacts on the Corporation as they will replace expensive import during off peak hours with a cheaper unit cost of electricity from solar. It also diversifies the Corporation's generation portfolio, improving supply stability and resilience, particularly during off-peak hours.

2.0 TARIFF REQUIREMENTS

2.1 BPC has one of the lowest electricity tariffs in the region for household. The SAPP utilities with electricity tariffs lower than BPC tariffs have generation mix that mainly constitutes baseload of hydro power sources. These sources inherently have negligible marginal cost for running, which translates into very low direct input costs compared to coal-fired power stations. BPC's baseload Power Stations run on coal. The hydro composition in their generation mix is as follows: RNT of Angola (69%), SNEL of DRC (100%) and ZESCO of Zambia (83%). The graph 1 below shows tariff comparison of household and businesses in the region.

Graph 1: Tariff comparison in the region as of September 2025



2.2 **Revenue Requirement:** BPC's assessed Revenue Requirement for the 2026/27 financial year is P9.585 billion. Based on the current projections, this level of requirement will still result in a net loss of P397 million, which the Corporation anticipates recovering through internal efficiencies during the year.

However, with the current revenues of only P6.108 billion (excluding Government subsidy), the Corporation faces a funding gap of P3.477 billion. This shortfall demonstrates that existing revenues are insufficient to meet the cost of supply. Consequently, an upward tariff adjustment and/or tariff support is required to close the gap between the revenue requirement and the expected operating income, in accordance with the BPC Act and principles of cost-reflective tariffs

2.3 In formulating the proposal, the Corporation further evaluated various options to close the funding gap. This included assessing differentiated tariff adjustments across customer categories to align total revenues with the assessed Revenue Requirement, in accordance with the provisions of the BPC Act.

2.4 Table 3 below depicts possible tariff adjustment rates per category.

Table 4: Tariff Adjustments rates

Customer Sub-Category	Tariff 2025/26 in Pula/kWh	TARIFF ADJUSTMENT Pula/kWh	Tariff 2026/27 in Pula/kWh	Projected PULA SALES 2026/27
Domestic (0 to 100kWh)	0.61	0.24	0.85	74,770,989.89
Domestic (101 to 200kWh)	0.61	0.38	0.99	254,492,854.03
Domestic (201 to 300kWh)	0.78	0.44	1.22	433,249,245.60
Domestic (301 to 400kWh)	0.95	0.36	1.31	238,002,574.08
Domestic (401 to 600kWh)	1.06	0.55	1.61	399,113,956.60
Domestic (601 to 800kWh)	1.15	0.98	2.13	256,765,442.84
Domestic (801 to 1200kWh)	1.19	2.05	3.24	259,828,961.36
Domestic (Above 1201kWh)	1.25	2.25	3.50	322,239,593.47
Government-main	2.91	1.17	4.08	1,250,563,178.49
Water Pumping	2.10	0.84	2.94	284,372,553.29
Mining	1.60	0.64	2.25	2,037,627,441.46
Botash	1.39	0.55	1.94	55,032,211.76
Commercial- Small Power Users (0 to 500kWh)	1.33	0.53	1.86	219,101,954.60
Commercial- Small Power Users (over 500kWh)	2.01	0.81	2.82	552,183,856.49
Commercial- Medium Power Users	2.13	0.85	2.98	1,365,822,582.83
Commercial- Large Power Users	1.83	0.73	2.57	1,201,383,117.10
	1.56	**0.74**	**2.30**	**9,204,550,513.88**

2.5 Having considered this tariff adjustment and the need to set BPC on a sound operational footing, it is considered that an upward weighted tariff adjustment of P0.74/kWh will be required to enable BPC to undertake its mandate effectively, with due consideration of customers and mitigating the burden on Government.

2.6 This has considered the needs of low-income, rural, and otherwise disadvantaged groups in accordance with Section 6(2)(o) of the BERA Act.

2.7 **Domestic customers,** the tariff charged for domestic customers is based on an exponential model which will ensure a more equitable structure that protects essential consumption while promoting fairness and affordability across vulnerable households.

2.8 **Small-medium and micro enterprises** will be charged a new rate of P1.86/kWh an P2.82/kWh for customers with a monthly consumption of less than 500kWh and monthly consumption of more than 500kWh respectively.

2.9 **Medium and large businesses, Mining and Government customers** are due for tariff increases mainly to cover the cost of producing and importing power, the current average cost of unit produced is P2.33/kWh which is around the proposed tariff rate of these customers.

3.0 FINANCIAL FORECAST

3.1 The tariff adjustment at a required revenue of P9.309 billion will push the Corporation towards attaining financial sustainability. BPC will have attained cost reflective tariffs. Table 5 below shows the financial forecast of the Corporation.

Table 5: Financial forecast

Description	2026/27	2027/28	2028/29	2028/29
Average Sales Price (thebe/kWh)	226	217	205	209
Average Cost per unit after financial items (thebe/kWh)	245	211	211	219
Gain/(Loss) per unit of sale after financial items (thebe/kWh)	(19)	7	(6)	(10)
Additional required Income (BWP millions)	(777)	296	(289)	(479)
Other income (BWP millions)	380	454	844	839
Government Support (BWP millions)	-	-	-	-
Net Profit/(Loss) (BWP millions)	**(397)**	**750**	**555**	**359**

3.2 The table indicates that the proposed tariff adjustment for 2026/27 will restore the Corporation to profitability over the following years, yielding a projected marginal net loss of P397 million. While no further tariff adjustments are anticipated in the subsequent years, this does not fully address BPC's current financial distress, as the Corporation remains burdened by substantial accumulated net losses carried forward from prior periods.

4.0 CONCLUSION

4.1 It is therefore proposed, tariff adjustment across BPC electricity tariff consumer categories for the financial year 2026/27 as follows:

CATEGORY	Tariff 2025/26 in Pula/kWh	Tariff 2026/27 in Pula/kWh
Domestic	0.90	1.57
Government	3.56	5.01
Commercial	1.78	2.50
Mining	1.60	2.24

4.2 And that the new tariff should become effective on 1st April 2026.

APPENDIX

Annexure I: Financial Forecast

	2026/27 Proposed Tariff Adjustment	2027/28	2028/29	2029/30
Electricity Sales	9,204.6	9,435.1	9,629.7	9,834.0
Other Income	**380.1**	**454.0**	**843.8**	**838.9**
SAPP Wheeling Revenue	20.8	21.8	22.9	24.0
Consumer Financed Project-Recovery	158.0	165.9	174.2	182.9
SAPP Electricity Sales	146.8	209.1	583.8	562.8
Other Income	54.5	57.2	63.0	69.3
Government Funds for network maintenance	0.0	0.0	0.0	1.0
Consumer Tariff subsidy	0.0	0.0	0.0	0.0
Total Operating Income	**9,584.6**	**9,889.0**	**10,473.5**	**10,673.0**
Direct Input Costs	**5,135.3**	**4,174.3**	**4,625.7**	**4,902.6**
Power Imports	3,590.3	265.2	295.0	328.2
IPPs	394.7	2,668.4	2,867.8	3,082.4
Generation Costs - Morupule A	283.1	304.1	304.5	319.7
Generation Costs - Morupule B	802.7	896.7	1,116.5	1,172.3
Other Generation costs (Orapa, Matshelagabedi Plants)	64.5	39.9	41.9	0.0
Gross Profit/(loss)	**4,449.3**	**5,714.7**	**5,847.9**	**5,770.4**
Administrative Expenses(excluding depreciation)	**3,365.4**	**3,421.6**	**3,665.6**	**3,677.7**
Staff Costs & Other Indirect staff costs	1,178.3	1,237.3	1,299.1	1,364.1
Generation Operations & Maintenance fees	223.3	234.5	246.2	234.2
Other Administrative Overheads	**1,963.7**	**1,949.9**	**2,120.3**	**2,079.4**
Other maintenance	1,091.0	1,045.7	1,181.3	1,102.6
Transport	65.9	69.0	72.4	76.0
Travel	79.4	83.0	87.1	91.5
Other administrative expenses	231.4	237.4	246.5	260.1
Regulatory fees	49.0	56.0	61.2	63.2
Insurance & Risk	129.1	135.0	141.6	148.8
Consultancy & SAP consultancy	124.7	130.5	137.0	143.9
Commission to prepaid vendors	193.2	193.2	193.2	193.2
Depreciation	1,160.4	1,276.5	1,404.1	1,544.6
Operating profit/(loss)	**-76.5**	**1,016.6**	**778.1**	**548.2**
Financial items	(270.8)	(216.7)	(173.3)	(138.7)
Impairments/Provisions	(50.0)	(50.0)	(50.0)	(50.0)
Total financial items/Provisions	**-321**	**-267**	**-223**	**-189**
Net Profit/(loss) before tax	**-397**	**750**	**555**	**359**
Income tax (charge)/credit				
Net Profit for the Year	**-397**	**750**	**555**	**359**
Deferred tax on revaluation of Property Plant and Equipment				
Gains on revaluation of Property Plant and Equipment				
Total Comprehensive Income /(Loss) for the year	**-397**	**750**	**555**	**359**
Regulated Rate Base/Asset Base and Working Capital	19,218.99	18,467.97	19,446.01	19,149.81
Rate of Return/Weighted Average Cost of Capital	4.5%	4.0%	4.0%	4.0%
Return On Assets	**864.85**	**746.28**	**785.80**	**773.83**
Taxes	0	0	0	0
Total Expenses	**9,661.1**	**8,872.4**	**9,695.4**	**10,124.8**
Revenue Requirement (without taxes)	**10,525.95**	**9,618.72**	**10,481.24**	**10,898.65**
Revenue Requirement (with taxes)	**10,525.95**	**9,618.72**	**10,481.24**	**10,898.65**