

ELECTRICITY TARIFFS



Dear Electricity Consumer,
Buffalo City Metropolitan Municipality has recently concluded a Cost of Supply (COS) study on applied electricity charges subsequent to the Multi Year Price Determination (MYPD) formula being set aside by the High Court as a basis for tariff increases.

This COS study and Revenue Requirement was a NERSA condition for the 2024/25 electricity tariff application process for all municipalities in an aid to promote cost recovery of services provided by municipalities.



THE CONCLUDED COS STUDY REPORT INDICATES THAT CURRENT TARIFFS ARE UNDER COST REFLECTIVE BY 16.9%, HOWEVER, BCMM HAS AGREED WITH NERSA NOT TO IMPLEMENT THE FULL COST REFLECTIVE PROPOSED TARIFFS IN ONE CALENDAR YEAR BUT TO SPREAD THIS OVER TWO FINANCIAL YEARS.

To mitigate new business risks to the city, some of the recommended outcomes of the COS report are:

1. A re-design of applied electricity tariffs to also include a **“basic charge”** for Prepayment customers instead of a very high flat rate kWh charge.
2. A re-design of business tariffs to now **exclude “non-profit” tariffs**, as these can no longer be cross subsidized by other customer categories.
3. Existing tariff design **allocation has been amended**. i.e. In some business tariffs, a higher basic charge is being applied but this in turn lowers the applied kWh and KVA unit rates and in the domestic tariffs, a higher basic charge is being applied which in turn lowers the applied kWh rate.
4. The introduction of a KVA charge for prepayment metered **large power users**
5. The introduction of **electricity wheeling tariffs for our large power users**. NB – These will be on an application approval basis only from NERSA and will be introduced for the 2024/25 financial period.
6. The making of some **Time of Use (TOU) tariffs redundant** and whereby relevant business customers will be migrated to the applicable business tariff.

On the 25 June 2024, the NERSA Board approved a 12.07% increase in our tariffs with recommended basic charges to be implemented on customer accounts effective 01 July 2024.

Kindly refer to the BCMM website (www.buffalocity.gov.za) for the full tariff book, customer impact of revised tariffs and relevant 2024/25 NERSA approval.

Buffalo City Metropolitan Municipality would like to take this opportunity to thank you for your understanding.

Yours Faithfully

M. Yawa, City Manager

