



MEMORANDUM

Date: 27 OCT 2025

From: **ACTING HOD: ELECTRICITY & ENERGY SERVICES DEPARTMENT**

To: CHIEF FINANCIAL OFFICER
(For attention: Mr Vincent Pillay)

CITY MANAGER
(For attention: Mr Mxolisi Yawa)

BCMM COMMUNICATIONS
(For attention: Mr Bongani Fuzile)

Our Ref/ ELEC	Enq. Mr C. Gower 043 705 9214	Your Ref.
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COST OF SUPPLY (COS) STUDY FOR THE APPLIED ELECTRICITY TARIFFS FOR THE 2026/27 TARIFF APPLICATION

1. PURPOSE

The purpose of this communiqué is to advise the CM, CFO and communications spokesperson on the recommended COS study outcomes for the 2026/27 electricity tariff submission to NERSA. It is also essential to communicate these recommendations to the public, for public comment and associated changes, prior to the application submission to NERSA in early 2026.

2. AUTHORITY

The acting HOD has authority to approve the associated COS study recommendations for applied electricity tariff designs and final Council approval

3. LEGAL AUTHORITY REQUIREMENTS

Nothing to report



4. BACKGROUND / REASONING

BCMM must complete a COS study every five years, as part of the prescribed NERSA tariff application process.

The last study was completed in June 2022, using a base year of 2020/21 and since this time, ESKOM has changed their tariff designs and associated time of use billing periods, for municipal billing, and the impact of this needs to be accommodated in BCMM's applied electricity tariffs for 2026/27. This study showed that BCMM's applied electricity tariffs at that time, were -16.9% under cost reflectivity and since this time, NERSA has not granted BCMM a yearly increase to off-set this deficit.

The new Electricity and Energy Trading Services became operational during the current year, and it is the intent of the department to become more transparent in how applied electricity tariffs are calculated and to communicate the recommended 2026/27 electricity tariffs to the general-public, for both their input and changes to the COS recommendations, where required.

5. EXPOSITION OF FACTS

The attached COS calculation spreadsheet, refers.

With reference to the attached COS, the following facts can be established:

- The department's applied electricity tariffs are still under-cost reflective by some 19.8% and "business as usual" (BAU) is only expected to recover 86.96% of the department's running costs for the 2025/26 financial period.
- The calculated BAU income for 2025/26 is R3 167 954 413 whereas the cost to serve budget was R3 644 233 373
- The recommended new rates dashboard is expected to realise some R3 794 522 342 in sales revenue and a "total cost of recoveries %" is calculated at 104.1%
- It is recommended that the 19.8% is to be phased in over a three-year period or at 6.2% additional per year during the 2026/27, 2027/8 and 2028/29 financial years

Table A

With reference to table A below, the following facts can be ascertained:

- BCMM requires R4 327 109 670 for the 2026/27 financial period to operate, but some R560 624 056 of this amount is not accounted for in the COS calculations, as this falls outside NERSA's standard of 12% total electricity losses. IE This is contributed to the escalating threat of electricity theft occurring on the electricity network.



Table A: Electricity Forecast Revenue Requirement for 2026/27

Revenue Requirement components	Total cost (R)			% of Total
	Wires	Retail	Total	
Allowable costs	1 928 713 728	1 837 771 887	3 766 485 614	100%
Energy purchases from Eskom - net of cost of losses	-	1 825 608 561	1 825 608 561	48%
Energy purchases from Eskom - cost of losses	816 007 683	- 472 399 043	343 608 640	9%
Other energy purchases	-	-	-	0%
Capital expenditure	215 822 787	-	215 822 787	6%
Operational expenditure (incl. Depreciation)	899 360 154	475 062 218	1 374 422 372	36%
Other revenues	- 2 476 896	- 13 574 248	- 16 051 144	0%
Surplus	-	23 074 399	23 074 399	1%
Not allowable costs	420 288 192	140 335 864	560 624 056	
Cost of losses disallowed	420 288 192	140 335 864	560 624 056	
TOTAL COSTS	2 349 001 920	1 978 107 750	4 327 109 670	
	54%	46%		

6. STAFF IMPLICATIONS

Nothing to report

7. FINANCIAL IMPLICATIONS

The anticipated electricity income for 2026/27 is calculated at R3 794 522 342

Please refer to Annexure A for the proposed new service electricity tariffs for the 2026/27 tariff application.



Please refer to the forwarded tariff comparison spreadsheet for a detailed analysis for the new rate impact to our customers

8. CHALLENGES

The immediate challenge is to get cost reflective electricity tariffs in place and to provide a cheaper, more efficient electricity service

9. OTHER PARTIES CONSULTED

Finance department budget office was consulted and assisted in populating the outgoing yearly financial forecasting in the COS calculation model.

10. RECOMMENDATIONS

It is **recommended** that:

- That the recommended new tariffs are approved for the 2026/27 tariff application submission to NERSA
- That the conducted COS calculation and recommended tariffs for 2026/27 are published for public comment by Communications department
- That the anticipated electricity income for the 2026/27 financial year is noted
- That the impact of higher-than-normal electricity losses is noted and that some R560 624 056 is not accounted for in the new tariff calculation methodology, and is essentially lost to BCMM

R. FERRIER

ACTING HOD: ELECTRICITY & ENERGY SERVICES DEPARTMENT

Buffalo City Metropolitan Municipality
 East London | Bhisho | King William's Town
 Province of the Eastern Cape
 South Africa



Website: www.buffalocity.gov.za

Annexure A – recommended new electricity tariffs for 2026/27

Customer Categories	New rates for 2026/27 (Wires+Retail)				Existing rates in 2025/26 (Wires + Retail)			
	Standing charge	Average demand rate	Average energy rate	Total average rate	Standing charge	Average demand rate	Average energy rate	Total average rate
	Rand/month	Rand/kVA/month	cR/kWh	cR/kWh	Rand/month	Rand/kVA/month	cR/kWh	cR/kWh
Prepaid Indigent	-	-	286	286	-	-	256	256
Prepaid Domestic	487	-	355	646	424	-	301	554
Prepaid Business	1 096	-	377	629	1 167	-	361	629
Prepaid LPU	2 080	-	368	433	2 538	-	387	466
Conv Domestic Indigent	-	-	287	287	-	-	260	260
Conv Domestic	533	-	402	537	749	-	348	537
Conv Commercial SPU	1 094	-	379	446	-	-	480	480
Conv Industrial 400V	5 666	436	208	462	6 088	406	210	453
Conv Industrial 11kV	20 267	404	160	320	28 185	423	161	332
Conv Industrial TOU 400V	3 829	183	295	492	7 046	265	347	642
Conv Industrial TOU 11kV	9 440	300	193	261	58 043	239	171	239
New tariff - Business relief tariff (Restricted to companies in proven financial distress, as approved by Finance/HOD Electricity)	-	-	300	300				
Conv Street and Traffic Lights	-	-	356	356	26	328	335	335
Temporary and itinerant	-	-	11	11	-	-	11	11
Sportsfields Departmental	-	-	6	6	-	-	6	6

