

16 December 2022

Dear [distributor]

Distribution Pricing Scorecards 2023/24

As signalled in our Open Letter of 19 September 2022, next year the Authority will be assessing distributors' progress on pricing reform through restarting scorecard assessments of distributors' pricing methodologies (following the release of 2023/24 methodologies and roadmaps). The scorecards will assist distributors with understanding where they are positioned relative to Authority expectations in their ongoing reform of distribution pricing.

In the Open Letter we also indicated that, to ensure there are no surprises, later in the year we would provide distributors with more detail about how we would be approaching these scorecard assessments. This letter provides that additional detail.

The Authority is making the following three changes to its approach to scorecard assessments:

1

Increase the weight of the *Efficiency* measure in the final score (double weighting)

This is intended to re-weight the scorecard assessment in order to recognise actual progress made towards more efficient distribution pricing (as opposed to focus on context and planning).

2

New scoring category: *Progress against Roadmaps*

This will indicate through the scoring whether, over time, a distributor is meeting the commitments it has made by turning words into actions.

3

New scoring category: *Progress against Focus Areas* (double weighting)

This will allow the scoring to reflect the extent to which distributors are meeting the Authority's expectations against the five focus areas set out in the recent Open Letter.

These changes will be incorporated into the scorecards for the pricing year starting 1 April 2023. To be clear, we do not expect that distributors will make changes to their 2023/24 pricing methodologies in response to this letter. Rather, the changes outlined in this letter bring the scorecards into line with prior guidance already issued by the Authority (in the Distribution Pricing Practice Note, the Open Letter and discussions between distributors and Authority staff).

The Authority appreciates the feedback it has received from distributors on its proposed changes to scorecard assessments. This feedback is valuable and has been considered carefully.

Feedback from distributors has highlighted that a clearer understanding of what the Authority is most focussed on assists distributors in managing their time and efforts. Distributors have told us that if Authority staff are more available and engaged with them ahead of and during the scorecards process, they can turn feedback into actionable changes for the following pricing year (starting 1 April 2024). This is our goal for the scorecards process, and we are committed to working with the sector to progress pricing reform.

We encourage distributors to send their pricing methodologies to the Authority as early as possible, and to highlight the key changes in this year's methodology, compared to previous years. We know that some distributors undertake a self-assessment in advance of the scorecards process, and we are considering whether this exercise may be helpful to all distributors. We would be happy to receive a voluntary self-assessment from any distributor that wishes to provide one. We will explore whether it may be helpful to provide distributors with a self-assessment tool for later years.

We have heard from distributors that the scorecards contribute to their understanding of, and better alignment with, the Authority's objectives and focus. We are also told that they drive real change and progress in distribution pricing reform. The Authority is committed to promoting the ongoing reform of distribution pricing. More efficient pricing will contribute to better investment in and use of distribution networks, provide appropriate signals to consumers as they consider investing in their own distributed energy resources, and enhance New Zealand's transition to a low emissions economy on the lowest cost path.

The Authority has committed to engaging with distributors both within and outside the scorecards process across the year, and we encourage you to contact us at any time at distribution.pricing@ea.govt.nz.

Attached to this letter is a table with the updated distribution pricing scorecard weightings. If you have any questions, please get in touch with me or [Harpreet Singh](#) in our Network Pricing team.

Ngā mihi

A handwritten signature in blue ink that reads "T. Sparks".

Tim Sparks

Director, Network Pricing

Attachment: Updated distribution pricing scorecard weightings

Area	Weighting
Current State – Circumstances	10%
Current State - Principles	10%
Strategy - Strategy	10%
Strategy - Roadmap	10%
Strategy – Roadmap Implementation	10%
Outcomes - Efficiency	20%
Outcomes – Consumer Impact ¹	10%
Focus Areas (Open Letter)	20%

¹ In previous years if no pricing changes had been made, this category was excluded from the scoring. We intend to continue this practice.