



14 January 2013

Nadia Levin
General Manager
Government, International and External Relations
Australian Nuclear Science and Technology Organisation (ANSTO)
Locked Bag 2001
Kirrawee DC
NSW 2232

Dear Ms Levin

Thank you for your letter of 6 September 2012 and the supporting material outlining ANSTO's revised business model and financial forecasts for the period 2013- 2026.

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) acknowledges the revisions ANSTO has made to PETNET Australia's business model following the AGCNCO's investigation report on PETNET Australia (Investigation No. 15). Based on the information provided in your letter, the main changes include:

- a strategy of increasing demand (or as stated in the letter, the shift to a 'whole-of-market expansion model which seeks to expand the whole market rather than only PETNET's share within it')
- a number of assumption changes, based on a greater degree of certainty surrounding forward projections following the first year of operation and precedents in other markets.

As set out in the AGCNCO's investigation report, for ANSTO to comply with competitive neutrality policy, PETNET's Australia's business model needs to be adjusted such that it can be expected to achieve a commercial rate of return that reflects its *risk profile* and *the full investment* in PETNET Australia.

As discussed in the investigation report, ANSTO's own assessment is that PETNET Australia will be operating in a high risk environment for the foreseeable future. The AGCNCO's *Rate of Return* paper recommends a risk premium, in addition to the 10 year Australian bond rate, of 7 per cent for high risk business activities.

If the AGCNCO were to receive another complaint regarding PETNET's operations, it would make an assessment about compliance with competitive neutrality policy based on whether ANSTO's strategy of increasing demand, together with any other changes to income and expenditure, had

resulted in (or was expected to result in) a commercial rate of return, taking into account all investments made in PETNET Australia and its risk profile.

ANSTO may wish to seek further advice on how to apply competitive neutrality to PETNET Australia from the Department of Finance and Deregulation.

If you have any further issues that we can assist with, please feel free to contact Rosalie McLachlan

Yours sincerely

Mike Woods
Commissioner
Competitive Neutrality Complaints