



NUCLEAR ENERGY INSTITUTE

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January 18, 2001

Mr. Glenn M. Tracy  
Chief, Operator Licensing, Human Performance and Plant Support Branch  
U. S. Nuclear Regulatory Commission  
Mail Stop O6 D17  
Washington, DC 20555-0001

Dear Mr. Tracy:

In a December 2000 public meeting, conditions necessary to successfully pilot a performance based approach to meeting safeguards regulations were discussed. This pilot program would test concepts being considered by the Commission in the current rulemaking initiative to update 10 CFR Part 73. I would like to reiterate some of the items the industry feels are necessary for a successful pilot program.

NEI 99-07, *Safeguards Performance Assessment Program*, uses drills over a three-year cycle to evaluate a licensee's protective strategy. Near the end of the cycle a comprehensive evaluated exercise is conducted. All of this activity is subject to NRC inspection and oversight. The program measures performance against the same standards currently used by the NRC in other inspection activity. For example, the target sets and mock adversary are the same as those seen in OSREs.

Facilities that participate in the pilot program, on a voluntary basis, should be exempt from OSREs or other NRC directed force-on-force drills. An OSRE during the pilot would make it more difficult to evaluate the overall effectiveness of this continuing assessment program. Being exempt from OSRE also avoids duplication of NRC staff and industry effort.

Several plants currently scheduled for an OSRE have expressed interest in participating in the pilot program. On a case-by-case basis, a few plants scheduled for an OSRE should be allowed to participate in the pilot program instead. An evaluated exercise would be conducted during the first year. The NRC staff can still meet its oversight requirements while focusing more attention on evaluating the pilot program.

At the start of the pilot program, plants would begin a program of periodic drills. Normally a plant starting an assessment program would wait until the third year to conduct the evaluated exercise. For an effective pilot program some evaluated

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exercises will need to be conducted during the first year. Up to eight facilities will conduct an evaluated exercise during the first year of the program. Other facilities would be scheduled during the second and third year.

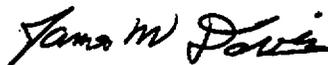
Deficiencies found in the assessment program would be managed through the licensee's corrective action program, as required in NEI 99-07. No enforcement action should be taken based on the pilot program activity, until the safeguards rule is finalized and there is a clear requirement for this type of assessment program.

Testing the effectiveness of the evaluated exercises, which are observed and evaluated by the NRC staff, will be an important part of the pilot program. To facilitate proper evaluation of the pilot program no other safeguards inspection activity should be conducted at the same time as an evaluated exercise during the first year of the program. Additionally, no added requirements should be imposed on the licensee beyond those of NEI 99-07. For example, as discussed at the meeting, tabletop exercises would not be required as part of an evaluated exercise. However, some licensees may decide to use tabletops as part of the evaluated exercise, with a reduced number of force-on-force drills.

Normal inspection activity under the baseline inspection program, IP 71130 Attachment 3, would continue at pilot plants. Insights from this inspection activity, combined with that of the pilot program, provide an overall view of the effectiveness of a licensee's safeguards program. NRC oversight should be flexible and allow testing from several different approaches to meeting program requirements. A key goal for the pilot program should be developing revised NRC inspection procedures.

During the pilot program technical implementation issues will need to be addressed. Other pilots were most effective when there was a process for the industry and NRC staff to rapidly resolve implementation issues. In this case, the details of many issues will involve safeguards information. A focused approach needs to be established by the NRC as part of this pilot program. The Security Working Group can provide a focus group for the industry.

Sincerely,



James W. Davis

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