

March 18, 2002

MEMORANDUM TO: Chairman Meserve  
Commissioner Dicus  
Commissioner Diaz  
Commissioner McGaffigan  
Commissioner Merrifield

FROM: William D. Travers */RA/*  
Executive Director for Operations

SUBJECT: STATUS OF NUCLEAR FUEL CYCLE FACILITY OVERSIGHT  
PROGRAM REVISION

In SECY-99-188, the staff informed the Commission of its initiative to revise the fuel cycle facility inspection program. In SECY-00-0222, and during the December 20, 2000, Commission briefing on this subject, the staff informed the Commission of the current status of its efforts in this initiative and its plans to revise the fuel cycle oversight program. The Staff Requirements Memorandum resulting from the Commission briefing stated that the "...revision of the fuel cycle oversight program should proceed as planned. However, the staff should ensure that these efforts, and the resources associated with them, do not negatively impact full implementation of the recently revised 10 CFR Part 70 and its associated guidance."

At that time, the staff intended to continue interactions with stakeholders to develop an oversight process that would emulate the one developed for regulatory oversight of nuclear power plants. Some of the risk-informed features contemplated for use in fuel cycle oversight included:

- cornerstones of safety, safeguards and security, which would outline the most risk-significant licensee performance attributes for use in focusing inspections and performance assessments;
- significance determination processes (SDPs), which would be risk-informed tools for assessing the significance of events, inspection findings, and enforcement actions; and
- performance indicators to measure licensee performance in each of the cornerstone areas, with associated performance thresholds for adjusting the level of inspection in those areas.

CONTACT: P. Castleman, NMSS/FCSS  
(301) 415-8118

In addition to these features, the staff planned to develop:

- a new licensee performance assessment process (including an action matrix);
- revised policy and guidance for treating licensee corrective action programs; and
- revisions to inspection manual chapters, inspection procedures, and the enforcement policy. Since the December 2000 Commission briefing, the staff has been deliberate in its efforts to complete this initiative. The staff finalized the project's communications plan, developed drafts of the enforcement policy and of the safeguards and security cornerstones, and began work on developing SDPs. Two public workshops with the industry were held: one, in February 2001, covered the revised project work plan and communications plan; the other, in May 2001, addressed the role of licensee corrective action programs in the revised fuel cycle oversight process. In accordance with the project's communications plan, four local public meetings were held near six of the ten fuel cycle licensees. In addition, the staff monitored other efforts, such as the implementation of the Office of Nuclear Reactor Regulation's new Reactor Oversight Process (ROP) and the activities of the Office of Nuclear Material Safety and Safeguards Risk Task Group (RTG), for lessons-learned that could be applied to fuel cycle oversight.

On the basis of continued stakeholder interactions, our experiences in developing the program revisions described above, progress in implementing the revisions to Part 70, and lessons-learned from the initial implementation of the ROP (SECY-01-0114) and the activities of the RTG, the staff has revised the project's scope, objectives, and milestones. Issues or lessons-learned supporting the revisions include:

- Because the Agency and its licensees are in the early stages of implementing the new Part 70 requirements, the transformation to risk-informed oversight of fuel cycle facilities will have to be evolutionary.
- Industry has recommended that we revise the Licensee Performance Review (LPR) process to make it risk-informed and more timely, objective, and transparent; industry does not support the broader program revisions as described in SECY-00-0222.
- Before establishing policies to credit licensee corrective action programs, the Agency and its licensees need to implement a consistent, license-based approach toward these programs under the management measures required by the recent revisions to Part 70. This need is driven by the fact that, currently, fuel cycle facilities have differing levels of commitment to corrective action programs, and it would be more efficient, effective, and equitable to implement such policies after more consistency has been established among Part 70 licensees.
- Revisions to the oversight of fuel cycle safeguards and security should account for changes in this area that may result from the Agency's response to the September 11, 2001, terrorist attacks.

For the reasons discussed above, many essential features of the risk-informed framework articulated in SECY-00-0222 should be deferred until after the Part 70 revisions have been implemented. For example, the development of SDPs, as well as the associated enforcement policy changes and action matrix, would depend on the maturation of risk information and risk-informed methods in the fuel cycle arena.

The staff does, however, intend to review and revise Inspection Manual Chapter 2604, "Licensee Performance Review," to make the LPR process more timely and efficient. These changes will be developed in consultation with, first, internal NRC stakeholders (e.g., regional offices), and then with external stakeholders. Upon completion of the LPR revisions, the staff will revise, consolidate, and make more risk-informed the inspection manual chapters governing the fuel cycle inspection program by the end of FY 2002, at which point the oversight revision project will be closed out. Thereafter, as part of normal maintenance of the oversight program, the staff will make risk-informed revisions to the fuel cycle inspection procedures and other program components consistent with the implementation of the Part 70 revisions, as resources permit. In making these program changes, the staff intends to build upon the improvements to effectiveness and efficiency that have already been made to the fuel cycle oversight process in recent years: for example, the planned program for FY 2003 should be as effective and about 27% more efficient than the program in FY 1999 (21.8 versus 29.8 FTE).

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