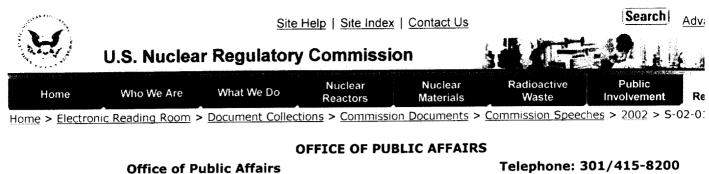
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"Nuclear Regulatory Outlook, A Panoramic View"

Remarks by

The Honorable Greta Joy Dicus Commissioner United States Nuclear Regulatory Commission

at the

Nuclear Energy Institute Fuel Cycle 2002 Conference

April 15, 2002

Chicago, Illinois

Good morning everyone. It's a great pleasure for me to be here today and to have the opportunity to speak to yc Nuclear Energy Institute's Fuel-Cycle 2002 conference. Let me begin by extending my appreciation to the Nuclear Institute for hosting this very important conference, and to welcome all of you participating in this week's schedu With the number of participants and representatives here today, it is clear that our national and international nuc communities have a sincere collective interest in the direction the nuclear industry is heading and changes that w effecting that direction. As most of you are aware, over the last few years the nuclear industry and the Nuclear Re Commission (**NRC**) have been working together to address industry's interests and concerns regarding the NRC's regulatory system and oversight involvement, and ultimately, to mutually resolve these issues without compromi and public health and safety or environmental protection. From my perspective, I view this dialogue as necessary constructive, and beneficial.

Throughout the years, the establishment and implementation of a sound infrastructure to systematically and safe construct, operate, and manage our licensed facilities has been a common goal of both the nuclear industry and t overall, we have recognized and shared many successes. While realizing these successes in our programs and effalso have experienced a number of challenges from which we have gained a great deal of knowledge and insight. Experiencing such challenges and most of all, being able to resolve them and move forward, has facilitated the m the nuclear industry and brought us to where we are today. With a continuance for improving process safety and predictability of operations performance, and most importantly, having effectively demonstrated such improveme the course of time, it has prompted the NRC to assess its existing regulatory and oversight infrastructure and pro gain better perspective of its own effectiveness and efficiencies. After 25 years of existence and in concert with th industry, the NRC has undertaken changes of its own and is continually in search of improving its core operations

With respect to the challenges currently before us, as well as those that have yet to come, we are all well aware of diversity that they present. Prior to the terrorist attacks of September 11th, we were primarily dealing with certain of existing challenges, such as: (1) The changing economics of nuclear power generation; (2) How to be fiscally r in regulating a depressed uranium recovery industry; (3) Preparing for a MOX construction authorization request; Preparing for the transition of additional NRC licensees to Agreement States; (5) Addressing the possibility of hav uranium enrichment applications for gaseous centrifuge; (6) Gearing-up for a Yucca Mountain Site Recommendat

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potential license application; and (7) Other important materials related issues, such as the control and tracking o sources and devices. Although the national and international importance of these items remains the same, the en in which they will operate has significantly changed as a result of September 11th.

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My topic of discussion, **"Nuclear Regulatory Overlook, A Panoramic View,"** addresses two areas of interest: regulatory and oversight initiatives have been impacted the most and where significant changes have already tak the process of taking place; and (**2**) Nuclear security following the events of September 11th.

While the foundation of the NRC's system for licensing, regulating, and overseeing nuclear facility construction an operations is prescriptive in nature, it has adequately demonstrated and proven its effectiveness in maintaining s operations, and in protecting our workers, our public, and our environment. Over time as with most situations, evare realized, lessons are learned, and improvements are made, therefore, change becomes inevitable. Both the n industry and the NRC are experiencing such changes and are working together toward resolution. As evidenced be excellent and long-standing safety record, one cannot dispute the value and necessity of having an independent s standards, codes, and regulations for an industry where consequences have been and can be devastating, and wh public is extremely skeptical. This is an area where I believe the NRC and the nuclear industry share a common a

Over the last 25 years the nuclear industry has experienced advancements that have allowed for major improven many nuclear arenas. These experiences and improvements have provided many beneficial insights, specifically in of nuclear safety and engineering. Complemented with a continued focus on improving worker safety awareness, advancements have not taken place without recognition. Though certain events have challenged us, and the unkr continue to do so, one cannot dispute industry's continued success in improving its overall performance and in pr the importance and necessity of worker and public health and safety. This path of continuous improvement and demonstrated success, along with the NRC's long-standing, effective, and continual involvement, has allowed for confidently move forward in enhancing its regulatory development, licensing, inspection, and enforcement progra brought to our attention, and through our own self-assessments, we have worked and are continuing to work tow and balancing our regulatory and oversight programs to become more risk-informed and performance-based.

Over the last two years, the NRC staff has worked diligently on conducting its core regulatory and oversight response in a more risk-informed performance-based manner, focusing on areas that present greater risk- and safety-signi rather than on areas that present little or none. I recently addressed this very issue with the staff at a Nuclear Ma Safety and Safeguards all-hands meeting, and I will share with you the very position that I shared with them. "TI challenge for the NRC in being able to effectively transition to the risk- and performance-based cultur one of addressing whom and/or what to protect or even the adequacy of our protection requirements. rather one of defining how to adequately structure our regulations, as well as our oversight and enfor cultures and procedures, so that they become more appropriately aligned with the risk-informed performance-based approach." In doing this, I believe that as a whole, our regulatory framework will continue more meaningful and able to provide improved results not only to our licensees, but also to our stakeholders, to t as well as to the regulator. I also believe that having a framework that is centered on risk significance, related ha security and control of radioactive material, and potential consequences, provides the transparency that is needeidentify what is being protected and the requirements needed to provide reasonable protection assurance. Althou comprehensive, some of the most recent accomplishments indicative to this approach includes staff's work on: (1 Part 63 regarding Yucca Mountain and the draft Yucca Mountain Review Plan; (2) revisions to 10 CFR Part 70 rela integrated safety analysis of fuel-cycle facilities and its Standard Review Plan; (3) the revisions currently being co 10 CFR Part 71 for packaging and transportation of radioactive materials; and (4) the direct results that you have experienced with the NRC's power reactor license renewal process.

With respect to these examples, I want to share with you some additional insights regarding their status and whe from here.

RULEMAKING AND LICENSING - What we've done and where are we headed?

Following EPA's June 2001 issuance of its final Yucca Mountain radiation protection standards as contained in 40 (197, the NRC incorporated conforming changes to its draft final 10 CFR Part 63 regulations, **"Disposal of High-L Radioactive Wastes In a Geologic Repository at Yucca Mountain, Nevada,"** and issued the final rule in Nor that same year. In early March 2002, staff placed the related **Draft Yucca Mountain Review Plan** on the NRC's and in late March, placed it in the Federal Register for public comment. As we are all aware, after two decades of research and characterization and with the inclusion of the NRC's site sufficiency comments, the Secretary of Ene recommended the Yucca Mountain site to President Bush as being suitable for repository development. With the F endorsement of the Yucca Mountain recommendation, the stage has finally been set for the ultimate decision. Wit 60-day appeal process granted to the State of Nevada, followed by the statutory 90-day continuous Congressiona we can anticipate a final decision in the August time-frame. In preparing our Agency and staff for a license application from DOE, should that occur, the completion of the aforementioned standards, implementing regulations, and review plan is most essential. Additionally, and as a cla point, one must remember that the siting process is exclusive to any licensing process that the NRC would conduct application were submitted. The reason I mention this, is because questions have been continually raised regardine involvement in the DOE Yucca Mountain effort, and I want to clarify the difference between the NRC's pre-licensine involvement and the licensing process, which are separate and distinct. With the number of issues remaining to b much important work lies ahead in order to ensure a high-quality license application. **There are Key Technical : Subissues, and approximately 258 out of 293 Agreements**. However, regardless of the work that lies ahead also be conscious of all that has been resolved. As controversial as the Yucca Mountain repository has been, I hav

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more open views toward this effort as a result of the horrific events of September 11th. Since these events, there increased concern about spent-fuel pool security in particular, with added emphasis on the number of spent-fuel currently storing licensed material. At least in some quarters, this has sparked a renewed interest in the security storing spent-fuel in one location rather than at 104 commercial power reactors located in 31 States, and I perso support this position as well.

MOVING ON to our Part 70 initiatives.

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In September 2000, The amended 10 CFR Part 70, "Domestic Licensing of Special Nuclear Materials," was i the new Subpart H, "Additional Requirements for Certain Licensees Authorized to Possess a Critical Mas Special Nuclear Materials," and in December 2001, the related Standard Review Plan (SRP) was also issued (I 1520). I'd like to recognize that both industry and the NRC staff worked very hard on making the SRP a meaningf risk-informed performance-based review plan, and that ample time was specifically spent on Chapter 3, "ISA and Summary" and Chapter 11, "Management Measures." I view the SRP as a safety-based template that provides a path in making one focus on what's important to safety and how to manage the associated risks. You will also fine consistent in emphasizing that industry alternatives can be proposed which should provide the necessary flexibilit burden reduction for the fuel-fabrication sector. It allows for the industry to be pro-active in identifying different I comparable approaches and solutions in establishing its licensing basis. I view the SRP as being detail oriented fre safety-based standpoint, but not prescriptive, and I remain supportive of its continued use.

Reactor License Renewal

Another highly visible effort is the area of reactor license renewal. I am pleased to tell you that the power reactor renewal process is progressing well, extremely well by most measures. The NRC renewed the operating licenses f units of Calvert Cliffs on March 23, 2000; for the three units of the Oconee Nuclear Station on May 23, 2000; for . Nuclear One, Unit 1, on June 20, 2001; and for both units of Edwin I. Hatch on January 11, 2002. We continue to beat our timeliness goals for the completion of license renewal reviews. These goals include the completion of the renewal review, from the time of receipt of the application, in 25 months for reviews which do not have a hearing months for those reviews for which a hearing is requested. Perhaps the most important performance indicator the the success of the reactor license renewal program is the growing industry interest and queuing-up. We currently units under review for license renewal and licensees for approximately 25 additional units have indicated their pla submit a license renewal application within the next 2½ years.

Transportation

Perhaps some of the most cross-cutting changes to date deals with our spent-fuel storage and transportation pro amended 10 CFR Part 71, **"Packaging and Transportation of Radioactive Material"** was recently issued for p comment. Conforming changes were incorporated into the rule to appropriately align its contents with the transposafety standards of the International Atomic Energy Agency and certain NRC updates were made as well to make more risk-based. This effort also took into consideration the contents of NUREG/CR-6672 (March 2000), which for the reexamination of spent fuel shipment risk estimates by updating shipping parameters, cask designs, and dose as well as by validating assumptions and models used in spent fuel risk analysis. Which now gives consideration t designs, including dual-purpose casks.

Probably one of the most significant efforts currently taking place within the transportation safety area, is the wor conducted within the context of the Package Performance Study (PPS). The scope of the PPS examines the respor fuel transportation casks to severe impact and fire accidents. This effort is being conducted within two NRC Progrthe Spent Fuel Project Office and the Office of Research, and is projected for completion in the 2005 time-frame. Additionally, the NRC has also contracted with the National Academy of Sciences to conduct an independent revie PPS test and evaluation plan, which in summary, includes the physical testing of full-size transportation casks and components. The physical testing results will be used to validate finite element analysis codes, to update accident and to redevelop accident event trees.

Like Yucca Mountain, development of the PPS was also in the works prior to the events of September 11th. And a

Yucca Mountain, the interest in this effort has significantly increased. Although recognizing and understanding the security benefits of conducting such a study, I don't think that anyone ever imagined how much interest, mainly f security perspective, it would attract. Since the PPS involves the actual physical testing of full-size transportation well as spent-fuel components, the results obtained will be critical to the spent-fuel transportation industry, to the Department of Energy's Yucca Mountain program, and to the entire public community, both nationally and internationally.

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In-line with the 10 CFR Part 71 rulemaking effort, 10 CFR Part 72, "Licensing Requirements for the Indepenc Storage of Spent Nuclear Fuel and High-Level Radioactive Waste," amended its Part 72.48, "Changes, Te Experiments" change control process in April 2001, allowing Certificate of Compliance (CoC) holders to make de changes without prior approval of the NRC. Prior to this change, only licensees' could make such changes. Lastly, been working very hard to better streamline our CoC rulemaking and amendment process. NRC staff has made su improvements to shorten the rulemaking process and to make it more efficient and effective. To streamline the ir rulemaking review process, the NRC developed standard language that is used in CoC rulemakings to add new ca to our General License listing. This has allowed staff to reduce time for internal NRC concurrence from 3 weeks to

We have also developed standard language for CoC amendments that has on average, reduced our review time for amendment process to less than 4 months (where previous efforts averaged between 6 and 9 months).

THE OVERSIGHT PROCESS - What we've done and where are we headed?

Nuclear Power Reactors

As you are aware, the new Reactor Oversight Program which provided sweeping changes to our inspection, asses enforcement processes was implemented in April 2000. In this process, the NRC evaluates plant performance by two distinct inputs: (1) inspection findings resulting from NRC's inspection program; and (2) performance indicatreported by the licensee. The combined data provides a broad sample of information on licensee safety performance However, it is not intended to cover every aspect of plant design and operation, but to provide an objective indicaperformance of plant systems and licensee programs in specific risk-significant areas. Both PIs and inspection find evaluated and given a color designation based on their safety significance. The NRC uses this input to compare the risk thresholds and to assess plant performance within the cornerstone areas. It is important to remember that re PI data to the NRC is a voluntary program in which all licensees participate and is a key aspect to the success of t program.

As a whole, although improvements are something we are continuing to address, I believe that the revised oversi has improved the efficiency and effectiveness of reactor regulation.

Fuel-Cycle Facilities

The NRC's fuel-cycle oversight process was also on a course similar to that being piloted for nuclear power reacto However, staff recently informed the Commission that as a result of continued stakeholder interactions, progress respect to the implementation of the Part 70 ISA process, and lessons learned from the initial implementation of oversight process, that they are pursing a path slightly different than what was originally proposed. Such an appr consider: (1) revisions to existing fuel cycle inspection procedures; (2) revisions to the existing Licensee Perform Review process to make it more risk-informed and timely; and (3) deferral of finalizing the significance determine process and enforcement policy changes until after a time-tested implementation period of the Part 70 ISA procefundamental concept of focusing on areas and/or items with the greatest safety significance remains unchanged f previously proposed. Instead of developing a new system for conducting inspections, as well as new inspection m evaluate against, the revised approach would consider utilizing the regulatory structure and framework that is cui in-place and available.

I do recognize that over the last two years the industry has not shared the same amount of interest and concern changes to the fuel-cycle oversight process as it did for the reactor oversight process. From discussions I have ha industry during this same time-frame concerning this topic, I am of the view that the approach currently being distaff is more in line with what the industry had previously proposed. Recognizing that a possible change in approach considered, its final outcome remains to be determined.

Nuclear Security Following the Events of September 11, 2001

As I mentioned earlier, although the national and international importance of our programs and activities remains the environment in which they will operate has significantly changed as a result of September 11th. For example, yesterday's low-profile -- low-recognition status of the physical security and materials control and accountability programs has now become today's very high-profile -- very high-recognition programs. On almost a daily basis, t being questioned on the adequacy of its regulatory infrastructure with respect to physical security and MC&A, wit Millstone situation adding to the skepticism. These items have attracted the interest of many of our Congressiona constituents, some of whom are questioning our regulatory control and influence over licensees' possession, use, transportation, and disposal of licensed materials.

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No one could have imagined or predicted the horror that emerged on September 11th, and in order to be able to forward, we must remain focused, be deliberate, and not try to resolve issues before we can identify if issues eve Just because one has the authority to hold a hammer, does not mean that everything should be considered a nail reflecting the words of Albert Einstein, "The significant problems we face cannot be solved at the same level of th created them."

You are well aware of the Commission's decision to issue safeguards interim compensatory measures to our licen of Order, with the issuance of such Orders already made to all nuclear power plants and the Honeywell UF6 conve facility. On this matter, I would like share with you my personal thoughts. It is my position that prior to the imple of any additional interim measures, we should be mindful of what we are proposing because the NRC will have a c time stepping back from some of these measures. A majority of our licensees, mainly in the materials arena, are required to have a design basis threat (DBT) or a safeguards and security plan of equivalent DBT nature.

To address this concern, I believe that additional threat and/or vulnerability analyses should be conducted by the categories of licensees and further evaluated by NRC staff prior to imposing, by mandatory or voluntary nature, a additional requirements beyond those already considered in existing Safeguards and Threat Advisories. Because I response to previous Advisories has been quite adequate, I believe that we should proceed with up-front and ope communications. I also believe that this approach will only enhance our credibility to move forward in a meaningf deliberate, and systematic manner.

CLOSING REMARKS

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Let me conclude by saying that it is clear that change on many levels is becoming prevalent in all that we do. The NRC as a regulator, you as an industry, and all of us as individuals must be prepared for and willing to adapt to the that come before us. We must all be flexible enough so that we can effectively manage our working environments continuing to fulfill our mandate to protect public health and safety, and the environment. In remembering the we Oliver Wendell Holmes, I offer you this to think about. "What lies behind us and what lies before us are tiny matter compared to what lies within us." I hope that the insights and examples I've shared with you today provides a cle of the steps that we have taken and the progressions that we have made, as well as the challenges that remain b Thank you.