

Industry Actions to Address Counterfeit and Fraudulent Items

NEI CFI Team

NRC Public Meeting

November 7, 2013



Overview

- Background
- Industry actions
 - Guidance
 - Databases and reporting
 - Performance evaluations
 - Workshop and training
- Path forward

Background

- Industry practices have been successful in preventing CFI
 - QA and equipment reliability programs
 - CFI precautions first adopted in the 1980's and 90's
 - No incidents in installed safety-related applications
 - A few suspect items recently found in non-safety applications
- Continued vigilance is needed
 - Increase in CFI in other industries
 - Counterfeits harder to detect
 - Increase in globalization of supply chain
 - Increase in commercial parts for QA applications
 - NRC SECY 11-0154 and OIG 10-A-20

Industry Objectives

- Sustain effectiveness of U.S. nuclear industry protection against ingress of CFI
- Enhanced activities for more proactive approach
- Regulatory basis
 - CFI challenges compliance with 10 CFR Part 50 App. B
 - Six criteria related to assuring adequate procurement controls
 - 10 CFR Part 21 reporting applies if CFI creates a defect or failure to comply associated with a substantial safety hazard

Industry Actions

<u>ACTIVITY</u>	<u>NRC PRIORITY</u>	<u>INDUSTRY ACTIONS</u>
3. Develop an industry accepted practice for using the corrective action program and nonconformance programs for entering CFI related to safety related components	I (HIGH)	Completed (EPRI Guidance)
11. Incorporate industry best practices for the use of standardized anti-CFI language in procurement documents	II (HIGH)	Completed (EPRI Guidance)
6. Incorporate industry best practices for quarantining CFI items and removing them from the supply chain without returning them to the supplier	III (HIGH)	Completed (EPRI Guidance)
8. Incorporate industry best practices for enhancing commercial-grade dedication, and receipt inspection practices to account for CFI	IV (HIGH)	Completed (Self Assessment & EPRI Guidance)
4. Develop an industry accepted practice for using the corrective action program to enter non-safety related CFI into the corrective action program	V (MED)	Completed (EPRI Guidance)

Industry Actions (cont'd)

<u>ACTIVITY</u>	<u>NRC PRIORITY</u>	<u>INDUSTRY ACTION</u>
2. Develop a method for sharing CFI Information, including issues identified during receipt inspection and during commercial grade dedication	VI (MED)	Completed (EPRI & INPO Databases)
5. Establish an industry CFI database	VII (MED)	Completed (EPRI & INPO Databases)
9. Incorporate industry best practices for product authentication of complex items that will provide additional assurance for preventing CFI	VIII (LOW)	Completed (EPRI Guidance)
10. Incorporate industry best practices for using batch sampling with authentication testing	IX (LOW)	Completed (EPRI Guidance)
7. Incorporate industry best practices for identifying and informing the industry of CFI trends	X (LOW)	Completed (EPRI & INPO Databases)
1. Develop a plan for implementing “proactive” CFI strategies	XI (LOW)	Completed (EPRI Guidance)

Industry Self Assessment

- NEI-requested self assessment performed in 1H2013
- 16 licensees and 4 suppliers responded
- Best practices identified in the following categories
 - Training
 - Sharing operating experience
 - Processing customer returns
 - CFI incident response
 - At-risk procurement
 - Purchasing
 - Receiving inspections
- Results used as input to EPRI guidance update

Guidance

- EPRI-1019163 update
 - October 2013 draft sent to NRC on 10/17/2013
- Enhanced proactive approach
 - Three main areas: prevent, detect, control
 - Greatest focus on prevention
 - Improved guidance for “at-risk” procurements
 - Improved guidance for quarantine
 - Improved guidance for sharing information

Database and Reporting

- INPO Operating Experience Reporting and Use
 - U.S. utilities, some international utilities, and 26 INPO Supplier Participants have access to INPO OE database
 - Utilities required to report CFI operating experience to INPO (February 2010 reporting revision)
 - Supplier participants can read and submit OE voluntarily
 - INPO Event Report, IER L4-12-86, issued late 2012
 - Not based on U.S. nuclear experience
 - INPO evaluates trends to determine whether additional IERs are warranted

Database and Reporting (cont'd)

- EPRI Suspect CFI Database
 - Input can be from any source
 - Access to database restricted to EPRI members
 - Able to identify members that might have item in stock
 - Proactive notification to U.S. licensees known to have similar items
 - Members capable of easily searching for suspect CFI
 - Attempting to overcome legal issues to increase ability to share beyond EPRI members and with other data sources

Performance Evaluations

- INPO Performance Objectives and Criteria revised in 2012 to include five general criteria on part quality and reliability
 - Started evaluating to new criteria in July 2013
 - CFI prevention is understood to be a piece of assuring part quality
 - INPO evaluators took two EPRI CBTs on CFI and receipt inspection and underwent classroom training on supply chain process, including prevention of CFI
 - Internal how-to includes interview questions on CFI
 - Plant evaluations are somewhat performance based and coverage of CFI will vary
- NUPIC and NIAC: audit checklists revised to include question on supplier controls for detection of CFI

Workshop and Training

- NEI workshop planned in 2014
 - Following NRC endorsement of guidance
 - To raise awareness and encourage industry-wide use of updated guidance
- Training
 - EPRI maintains robust training program for industry
 - Nuclear Utility Procurement Course
 - Nuclear Vendor Procurement Course
 - Annual CFI Seminar
 - Additional training resources identified in IN 2012-22

Path Forward

- Finalize EPRI guidance update
 - 4Q2013: Receive NRC feedback on guidance
 - 2Q2014: Submit final guidance
 - 3Q2014: NRC endorsement
- Communicate guidance update
 - Industry workshop on endorsed guidance
- Begin implementation of enhanced CFI activities
 - 4Q2014: Licensees and affected suppliers