

May 7, 2015

MEMORANDUM TO: Chairman Burns  
Commissioner Svinicki  
Commissioner Ostendorff  
Commissioner Baran

FROM: Mark A. Satorius */RA Michael R. Johnson Acting for/*  
Executive Director for Operations

SUBJECT: PROPOSED ELIMINATION OF ANNUAL REPORTING  
REQUIREMENTS FOR SPECIFIC EVALUATIONS WITHIN THE  
REACTOR OVERSIGHT PROCESS SELF-ASSESSMENT PROCESS

The purpose of this memorandum is to request Commission approval to eliminate the annual reporting requirements for several evaluations that are included in the existing Reactor Oversight Process (ROP) self-assessment process. As part of its ongoing evaluation of program improvements, the staff has identified a potential resource savings in the existing self-assessment program. Specifically, the staff recommends eliminating three evaluations that are enclosures to the current annual ROP self-assessment: the regulatory impact summary, the resident inspector demographic analysis, and the ROP resource expenditure analysis. These detailed evaluations have been shown to offer limited insights, are redundant to other processes, and do not appear to return the level of value as they did when they were initiated by Commission direction. This recommendation aligns with recent Commission direction in its staff requirements memorandum (SRM) to SECY-15-0005, "Recommendation to Sunset the Decommissioning Trust Fund Spot-Check Program" (Agencywide Documents Access and Management System (ADAMS) Accession No. ML15058A111), dated February 26, 2015, which states that the staff should continue to identify regulatory activities that do not return value to our regulatory program in the way that was forecast when they were initiated.

In its SRM to COMSECY-14-0030, "Proposed Suspension of the Reactor Oversight Process Self-Assessment for Calendar Year 2014" (ADAMS Accession No. ML14168A532), dated August 5, 2014, the Commission approved the staff's recommendation to suspend the annual self-assessment of the ROP for calendar year (CY) 2014. As noted in the COMSECY and SRM, the temporary suspension would result in resource savings that the staff would use to: (1) develop a more effective self-assessment process with more meaningful metrics to use in CY 2015 and beyond, and (2) address ROP improvement recommendations from the multiple independent and focused ROP-related assessments performed in CY 2013 and CY 2014. The staff also noted that in lieu of the typical self-assessment discussions at the Agency Action

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Review Meeting (AARM) and subsequent Commission meeting in CY 2015, senior U.S. Nuclear Regulatory Commission (NRC) management discussions would focus on the revised self-assessment process and the ongoing activities addressing the recent ROP program evaluations and recommendations.

The staff is currently developing a revised ROP self-assessment process that will be formalized over the coming months and implemented in the CY 2015 ROP self-assessment and beyond. The revised approach is designed to assess the effectiveness of a mature program, focusing on the efficacy of recent changes to the program and performing in-depth reviews of specific areas of interest. The staff is exploring a three-part approach that would: (1) measure the effectiveness of and adherence to the current program using objective, measureable metrics organized around the principles of good regulation; (2) assess recent changes to the program and monitor the status of ROP revisions and enhancements; and (3) perform a focused, in-depth assessment of specific program area(s). This approach also would include consideration of revising the ROP self-assessment process to better solicit and assess the breadth and depth of program performance insights and feedback similar to that achieved from the Commission-directed independent program evaluation, "Reactor Oversight Process Independent Assessment 2013" (ADAMS Accession No. ML14035A571), dated February 11, 2014, as discussed in COMSECY-14-0030. The revised process will be reflected in revisions to Inspection Manual Chapter (IMC) 0307, "Reactor Oversight Process Self-Assessment Program," and its appendices, which will be forwarded to the Commission for information by September 30, 2015.

Since 1992, the regulatory impact summary has been submitted to the Commission annually as a result of stakeholder concerns that the NRC was encumbering the industry with unnecessary regulatory burden. Under this process, regional management solicited feedback from licensees during routine visits to reactor sites, and the staff then evaluated the issues raised and took any necessary corrective actions. At the end of each year, the staff compiled and summarized this feedback, evaluated the potential unnecessary impact, and recommended improvement actions, as warranted.

Since 1998, the resident inspector demographic analysis has been submitted to the Commission annually based on the concern that resident inspector experience was diminishing and the regions were challenged to attract and retain highly qualified resident inspection staff. The analysis included (1) resident inspector experience, (2) resident inspector turnover and losses, and (3) resident inspector site staffing. The staff compiled and analyzed the data, and, as warranted, recommended improvement actions necessary to ensure that all sites continued to be staffed with knowledgeable and experienced resident inspectors.

The ROP resource expenditure analysis has been submitted to the Commission as an enclosure to the annual ROP self-assessment paper since its first report in 2001. The purpose of the analysis was to baseline the expected expenditures necessary to implement the revised program, since significant changes had been made. The staff summarized and analyzed the staff resources expended to implement the ROP compared with previous years, and explained any anomalies, as warranted.

Soon after implementation of the ROP, the regulatory impact summary and resident demographic analysis were combined with the annual ROP self-assessment and have since been included as enclosures. The most recent evaluations can be found as enclosures to

SECY-14-0047, "Reactor Oversight Self-Assessment for Calendar Year 2013" (ADAMS Accession No. ML14066A365), dated April 18, 2014. A more detailed history on when and why these evaluations were developed and how they were reported to the Commission is included as an enclosure to this paper.

As noted above, the staff is developing objective performance metrics that will be collected and reported on an annual basis as the first part of the proposed self-assessment process. Certain objective aspects of these three evaluations will be incorporated into those metrics. With respect to regulatory impact, the primary purpose of NRC Form 649, "Site Visit Observation," which provides the data to inform the regulatory impact analysis, is to ensure and record NRC management's evaluation of inspector objectivity in accordance with IMC 0102, "Oversight and Objectivity of Inspectors and Examiners at Reactor Facilities" (ADAMS Accession No. ML12012A053). NRC management will continue to record their site visits, and this data will be captured as one or more performance metrics. Numerous other communications will continue to provide additional means to assess regulatory impact and unnecessary burden, including ongoing efforts to evaluate the cumulative effects of regulation and frequent interactions with industry during Regional Utility Group meetings, ROP Working Group public meetings, management drop-ins, and other venues.

Similarly, with respect to resident inspector demographics, the permanent site-staffing metric currently included as part of the resident inspector demographic analysis will be maintained as a performance metric. The staff recognizes the importance of the resident inspectors as our front line of regulatory oversight, and focuses on staffing the sites with experienced individuals. As such, regional management will continue to monitor and evaluate resident staffing and demographics to ensure that sites are appropriately and sufficiently staffed with qualified inspectors. The data will continue to be reviewed annually by the program office and the regions. While the staff is recommending the removal of the annual Commission reporting requirement as part of the ROP self-assessment process, the staff will explore ways to better measure meaningful data that can provide insights into inspector staffing and demographics. This revised demographic analysis would occur on a less frequent (triennial) basis and would be forwarded to the Commission for information. The staff will also coordinate any new approach under the broader umbrella of human capital management.

With respect to ROP resources, the staff plans to continue conducting its periodic review and realignment of the ROP baseline inspection procedures in accordance with IMC 0307, Appendix B, "Reactor Oversight Realignment" (ADAMS Accession No. ML112990461), to ensure the most effective overall application of inspection resources. The ROP realignment process is being revised based on lessons learned from the staff's ROP enhancement efforts.

Given the lack of meaningful, actionable insights resulting from these processes and that some of the previously reported information will be captured as performance metrics (or evaluated using other management processes), NRC staff recommends eliminating the annual Commission reporting requirements for regulatory impact, resident inspector demographics, and ROP resource expenditures. With completion of ongoing efforts to develop the revised self-assessment process and its implementation for CY 2015 ROP self-assessment, the staff will evaluate the changes and obtain stakeholder feedback as experience is gained using the new process. The staff will keep the Commission apprised of any lessons learned and resulting modifications made to address them as part of its annual self-assessment going forward.

The Commissioners

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There are no significant resource implications. The resource savings from eliminating the subject evaluations would be used to implement the new additions to the revised self-assessment process, including the evaluation of recent changes to the program and focused evaluations of particular areas of concern.

The Office of the Chief Financial Officer has reviewed this paper for resource implications and has no objections. The Office of the General Counsel has reviewed this memorandum and has no legal objection.

SECY, please track.

Enclosure:

As stated

cc: SECY  
OGC  
OCA  
OPA  
CF

## HISTORY AND BASIS FOR SUBJECT EVALUATIONS

As part of the staff's efforts to improve the effectiveness of the Reactor Oversight Process (ROP) self-assessment process, the staff seeks to discontinue the reporting requirements for three evaluations that have been shown to offer limited benefit and insights for program improvements and overlap other processes. These evaluations historically have been included as enclosures to the annual ROP self-assessment SECY paper. The most recent evaluations can be found as enclosures to SECY-14-0047, "Reactor Oversight Self-Assessment for Calendar Year 2013" (Agencywide Documents Access and Management System (ADAMS) Accession No. ML14066A365), dated April 18, 2014.

- the regulatory impact summary (Enclosure 3 to SECY-14-0047)
- the ROP resource expenditures analysis (Enclosure 4 to SECY-14-0047)
- the resident inspector demographic analysis (Enclosure 5 to SECY-14-0047)

The history and basis for each of these evaluations is discussed below.

### Regulatory Impact Summary

On December 20, 1991, the Commission issued a staff requirements memorandum (SRM) directing the staff to develop a process for obtaining continual feedback from licensees and to report it to the Commission each year. The staff described the continual feedback process in SECY-92-286, "Staff's Progress on Implementing Activities Described in SECY-91-172, 'Regulatory Impact Survey Report—Final'" (ADAMS Accession No. ML12256B345), dated January 1, 1992. Under this process, NRC management solicits informal feedback from its licensees during routine visits to reactor sites, documents the feedback on U.S. Nuclear Regulatory Commission (NRC) Form 649, "Site Visit Observation," and forwards the completed forms to affected internal stakeholders. Responsible staff then evaluates any concerns identified and coordinates with management to take any necessary corrective actions. Annually, the staff compiles this feedback and creates a comprehensive regulatory impact summary, which includes evaluating the potential unnecessary impact, and recommends improvement actions, as warranted.

Originally a stand-alone annual SECY, the regulatory impact summary was consolidated as an enclosure to the annual ROP self-assessment SECY in SECY-05-0070, "Reactor Oversight Self-Assessment for Calendar Year 2004" (ADAMS Accession No. ML050630297), dated April 25, 2005, and has been an enclosure ever since. The last stand-alone SECY for the regulatory impact analysis was SECY-03-0221, "Annual Report on Feedback from Licensees Regarding the Impact of NRC's Activities on Licensees' Operations" (ADAMS Accession No. ML033430115), dated December 22, 2003. Additionally, a trend-only metric was added to Appendix A, "Reactor Oversight Process Self-Assessment Metrics," to Inspection Manual Chapter (IMC) 0307, "Reactor Oversight Process Self-Assessment Program," in 2006 to formally capture this effort as a part of the ROP self-assessment process.

Since ROP implementation in 2000, the staff has concluded in each of the self-assessments that the favorable percentage of comments/feedback has remained high, with the past several averaging well over 90 percent. The distribution of comments was similar to previous years, and feedback was primarily in the areas of inspector performance and formal communication

with licensees. The few unfavorable comments were isolated in nature or were focused in discreet areas that the NRC had previously identified and was addressing, and no additional programmatic adjustments have been made because of the analysis. In addition, the site visit observation forms had been forwarded to affected organizations for their consideration and potential action when they were originally submitted soon after the site visits. Specific management action on feedback was taken well before the annual self-assessment.

Although the staff recommends discontinuing the detailed analysis in the enclosure to the annual SECY paper, aspects of the regulatory impact evaluation will remain in the updated self-assessment program. Specifically, the primary purpose of the site visit observation form is to ensure and record NRC management's evaluation of inspector objectivity in accordance with IMC 0102, "Oversight and Objectivity of Inspectors and Examiners at Reactor Facilities." NRC management will continue to record their site visits and ensure appropriate actions to address negative feedback, and this aspect will be captured as one or more performance metrics. In addition, numerous other forums will continue to provide redundant means to assess regulatory impact and unnecessary burden, including ongoing efforts to evaluate the cumulative effects of regulation and frequent interactions with industry during Regional Utility Group meetings, ROP Working Group public meetings, management drop-ins, and other venues.

#### Resident Inspector Demographic Analysis

The ROP resident inspector annual demographic update was originally requested by the Commission in its non-publicly available SRM for COMGJD-98-001/COMEXM-98-002, "Discussion of Resident Inspector Demographics and the Balance between Expertise and Objectivity," dated April 8, 1998 (ADAMS Accession No. ML003753515). The SRM requested, in part, that "the staff provide annual updates of the resident inspector demographics data and any recommendations warranted by the updated data until there is evidence that the agency's actions have resulted in a stable or improving resident program." Shortly after that SRM, the staff recommended and the Commission approved enhancements to the resident inspector staffing and compensation policies as noted in [SECY-98-152](#), "Summary of Issues and Recommended Improvements to the Resident Inspector Program" (ADAMS Accession No. ML992880053), dated June 28, 1998, and [SECY-98-281](#), "Resident Inspector Compensation Policy" (ADAMS Accession No. ML992870008), dated December 2, 1998. The enhancements included modifying the resident inspector pay schedule to include locality pay and revising the eligibility requirements for the saved pay provisions when transferring out of the program, while other policies such as relocation bonus provisions were maintained. Annually, the staff compiles and analyzes (1) resident inspector experience, including NRC time, total resident time, current site time, and relevant non-NRC experience, (2) resident inspector turnover and losses, and (3) resident inspector site staffing. The data is collected, analyzed, and presented in numerous graphs and charts to support the analysis. The analysis also develops and provides recommendations, if appropriate, to ensure that all sites continue to be staffed with knowledgeable and experienced resident inspectors.

Originally a stand-alone annual SECY, the resident inspector demographic analysis was consolidated as an enclosure to the annual ROP self-assessment SECY in SECY-02-0062, "Calendar Year 2001 Reactor Oversight Self-Assessment" (ADAMS Accession No. ML020710781), dated April 3, 2002, and has been an enclosure ever since. The last

standalone SECY for the resident demographic analysis was SECY-01-0135, "Annual Update and Analysis of Demographic Data on Resident Inspectors" (ADAMS Accession No. ML011620424), dated July 24, 2001. Additionally, several trend-only metrics were added to Appendix A to IMC 0307 in 2002 (ADAMS Accession No. ML023650446), to formally capture this effort as a part of the ROP self-assessment process. In 2004, in response to a recommendation by the Davis-Besse Lessons Learned Task Force, the staff added a site staffing metric to evaluate the agency's ability to provide continuity of onsite regulatory oversight.

Although inspector experience and turnover have fluctuated from year to year and has created staffing challenges, the staff has concluded in each of the self-assessments that sites continue to be staffed with knowledgeable and experienced resident inspectors and senior resident inspectors. Furthermore, the staff believes that the Agency's actions have resulted in a stable or improving resident program and thus meets the intent of the original SRM cited above.

Although the regions use the data they gather to inform their hiring and staffing decisions and to ensure a qualified and experienced resident inspection staff, no programmatic adjustments have been recommended or made because of the analysis. Separately, an independent task force examined challenges in relocating and retaining employees in resident inspector positions as noted in the non-publicly available SECY-09-0050, "Actions to Enhance Relocation and Retention for Employees" (ADAMS Accession No. ML090570713), dated March 30, 2009. The task force determined that existing authorities and flexibilities should be more fully used or further developed, when appropriate, to enhance the Agency's relocation and retention processes. As reported in the non-publicly available SECY-11-0180, "Effectiveness Review of Actions to Enhance Relocation and Retention of Employees," (ADAMS Accession No. ML11347A263), dated December 21, 2011, the staff reviewed the effectiveness of the recommendations from 2009 and noted that improvements were realized and no changes to relocation or retention policies were recommended.

The effort spent by the program office to collect, analyze, process, and communicate the data has not been justified by the outcomes gained. While the staff is recommending the removal of the Commission reporting requirement as part of the ROP self-assessment process, the staff will also explore ways to realign the program to measure meaningful data that can provide insights into inspector staffing and demographics. This revised demographic analysis would occur on a less frequent (triennial) basis, every three years. The staff will also coordinate any new approach under the broader umbrella of human capital management.

Certain aspects of the resident inspector demographics evaluation will remain in the updated self-assessment program. Specifically, the permanent site staffing metric currently included as part of the resident inspector demographic analysis will be maintained as a performance metric. Regional management also will continue to monitor resident staffing and demographics to ensure that sites are staffed with qualified and experienced inspectors, and the staff will notify the Commission if challenges or concerns arise that impair the resident inspector program.

## ROP Resource Expenditure Analysis

Before initial implementation of the ROP, the staff stated in SECY-00-0049, "Results of the Revised Reactor Oversight Process Pilot Program," dated February 24, 2000 (ADAMS Accession No. ML003683227), that there would be no resource adjustments to the inspection and assessment programs until adequate experience was gained with the new process. A full year of implementation beyond the pilot program was planned to obtain reliable data on which to estimate the resources needed to accomplish individual inspections as well as to execute the overall ROP. In the first annual self-assessment after implementation of the ROP as documented in SECY-01-0114, "Results of the Revised Reactor Oversight Process Pilot Program," dated June 25, 2001 (ADAMS Accession No. ML011410551), the staff included a resource expenditure analysis and concluded that the resources budgeted for initial implementation of the new oversight process were appropriate. The staff noted its intent to continue to refine the ROP regional resource model to look for other efficiencies, and to report to the Commission on an annual basis the results of its self-assessment and any significant changes to the ROP. Annually, the staff summarizes and analyzes the staff resources expended to implement the ROP during the past three calendar years, and explains any anomalies, as warranted. A trend-only metric was added to Appendix A to IMC 0307 in 2006 to formally capture this effort as a part of the ROP self-assessment process.

The staff implemented coping measures and adjusted the inspection budget during the first few years of ROP implementation. Since that time, the staff has concluded in each of the self-assessments that although the resource expenditures have increased or decreased in certain areas, the overall expenditures have remained relatively stable. In addition, no significant programmatic adjustments have been recommended or made because of the analysis.

Although the staff recommends discontinuing the detailed analysis and enclosure to the annual SECY paper, aspects of the ROP resource expenditures evaluation will remain in the self-assessment program. For example, the staff plans to continue conducting its periodic review and realignment of the ROP baseline inspection procedures in accordance with IMC 0307, Appendix B, "Reactor Oversight Realignment," to ensure the most effective overall application of inspection resources. The ROP realignment process is being revised based on lessons learned from the staff's ROP enhancement efforts.