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NUCLEAR REGULATORY COMMISSION
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INFORMATION REPORT

For: The Commissioners

From: Victor Stello, Jr., Director
Office of Inspection and Enforcement

Thru: Executive Director for Operations *W. J. Stello, Jr.
Acting*

Subject: SYSTEMATIC ASSESSMENT OF LICENSEE PERFORMANCE *

Purpose: The purpose of this paper is to inform the Commission regarding the status of efforts by the Office of Inspection and Enforcement in the evaluation of licensee performance.

Discussion: In October 1978, IE submitted SECY 78-554 "Licensee Regulatory Performance Evaluation," which requested, and subsequently obtained, Commission approval for a two-year trial program for evaluating licensee regulatory performance. "Regulatory performance" was defined as the licensee's ability to meet regulatory requirements and to avoid reportable events.

SECY 78-554 indicated that an "integrated methodology" would be developed that incorporated selected aspects of the three previously considered methods (Statistical, Trend Analysis, and Regional Survey) that were described in the paper. The objectives of this methodology were defined as:

- . Identification of factors that lead to different levels of regulatory performance;
- . Effective and efficient use of NRC inspection resources; and
- . Evaluation of various aspects of the NRC inspection program.

The trial program was developed, but was never implemented because of the Three Mile Island (TMI) Accident.

A program for the comprehensive overview of licensee performance has been included as Task I.B.2 in the "Action Plans for Implementing Recommendations of the President's Commission and

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Other Studies of TMI-2 Accident" (NUREG-0660). This program is described in the enclosed paper and is entitled "Systematic Assessment of Licensee Performance" (SALP). The objectives of SALP are:

- . Identification of unacceptable licensee performance;
- . Improvement of licensee performance;
- . Improvement of IE Inspection Program;
- . Providing a basis for NRC management's allocation of resources; and
- . Achieving regional consistency by appraising licensee performance from a national perspective.

The SALP Program has been developed for power reactor licensees, but may, with modifications, be applicable to major materials licensees.

As was the case with the Licensee Regulatory Performance Evaluation, the SALP Program is designed to identify licensees whose regulatory performance warrants increased emphasis in licensing and inspection activities. If such licensees are identified, appropriate action will be initiated to upgrade the licensee performance; a major thrust of the SALP. The methodology has five (5) basic features:

- . Evaluation of licensee performance by a board of regional inspectors, regional supervisors, and the NRR Project Manager (NMSS Project Manager for Materials licensees);
- . Determination by regional management of the action necessary to upgrade performance;
- . Holding annual meetings with licensee management to discuss the regional evaluations and planned actions;
- . Review of the evaluations of licensee performance and planned corrective action by a SALP Review Group, composed of senior NRC management personnel, with inputs from the regional evaluations, NRR appraisals, and the appraisals of other NRC offices (i.e., AEOD, PAB, etc.); and
- . Recommendations by the SALP Review Group to the appropriate NRC office director for major enforcement sanctions, license modifications, or increased (or decreased) inspection emphasis (frequency or scope) as warranted by the licensee evaluations.

Selected portions of the three previously considered methods of performance appraisal have been incorporated into the regional evaluations of licensee performance. An IE Manual Chapter (MC) defining the program for the regional evaluation of licensee performance is currently being reviewed by the regions. This MC will be issued in March 1980.

Regional evaluations will begin in April 1980 and will be completed in June 1980. The composition of the SALP Review Group, the procedures for Review Group operation, and details of the evaluations by the offices providing input to the Review Group, will be finalized by June 1980. The initial evaluations of the SALP Review Group will be completed in December 1980.

Coordination: The Offices of Nuclear Reactor Regulation, Management and Program Analysis, Analysis and Evaluation of Operational Data, and Standards Development concur. The Office of Nuclear Material Safety and Safeguards has no objection to the proposed program for reactor licensees.

The Executive Legal Director has no legal objections.



Victor Stello, Jr.
Director
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and Enforcement

Enclosure:
"Systematic Assessment of
Licensee Performance"

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Exec Dir for Operations
ACRS
Secretariat

SYSTEMATIC ASSESSMENT OF LICENSEE PERFORMANCE

1. INTRODUCTION

This paper describes the Systematic Assessment of Licensee Performance (SALP) which is a refinement of a program previously referred to as the "Integrated Approach" to Licensee Regulatory Performance Evaluation (LRPE). SALP, like LRPE, is defined as an evaluation of the ability of a licensee to meet regulatory requirements and to avoid significant events that appear to be directly under the control of the licensee.

The SALP Program was developed for power reactor facilities in operation and construction, and is based on certain aspects of previously conducted NRC studies, with the methods substantially modified. The SALP Program, with modifications, may be applicable to major fuel facilities and major by-product licensed facilities.

The requirements for licensee performance appraisal were first established in NUREG-0397, "Revised Inspection Program for Nuclear Power Plants", which includes a national performance appraisal capability that provides the following elements:

- Evaluation of the performance of NRC licensees from a national perspective;
- Evaluation of the effectiveness of the NRC inspection program; and
- Confirmation of the objectivity of NRC inspectors.

During October 1978, IE submitted SECY 78-554, "Licensee Regulatory Performance Evaluation", to the Commission. As described in SECY 78-554, the objectives of LRPE were as follows:

- Identification of factors that lead to different levels of regulatory performance;
- Effective and efficient use of NRC resources; and
- Evaluation of various aspects of the NRC inspection program.

SECY 78-554 described three methods (Statistical Method, Trend Analysis Method, and Regional Survey Method) of licensee performance appraisal which had been studied by NRC. It also proposed the implementation of a trial program which was referred to as the "integrated approach" methodology to Licensee Regulatory Performance Evaluation (LRPE). This methodology was to be used to evaluate operating reactor licensees using 1978-1979 data. The trial program was developed, but its implementation was interrupted by the Three Mile Island Accident.

As a result of the investigative studies of the Three Mile Island Accident, a program for the comprehensive evaluation of licensee performance has

been included as Task I.B.2 in the "Action Plan for Implementing Recommendations of the President's Commission and Other Studies of TMI-2 Accident" (NUREG-0660). The program outlined by Task I.B.2 is a refinement of the LRPE methodology. This program which is the subject of this paper has been entitled the Systematic Assessment of Licensee Performance (SALP) to coincide with the recommendations of the Kemeny Report. The objectives of SALP have been defined as:

- Identification of unacceptable licensee performance;
- Improvement of licensee performance;
- Improvement of IE Inspection Program;
- Providing a basis for NRC management's allocation of resources; and
- Achieving regional consistency by appraising licensee performance from a national perspective.

These objectives will be accomplished through the performance of periodic evaluations of licensees by IE and NRR. The evaluations will be reviewed by a SALP Review Group of senior management personnel from NRC offices. The results of the evaluations, the reviews by the SALP Review Group, and the plans for appropriate action by NRC will be documented and distributed to the appropriate office director, to the licensees, and to the Public Document Rooms. In addition, the regional offices will hold annual management meetings with each of the evaluated licensees to discuss the results of the evaluations.

The appropriate action to upgrade licensee performance will be initiated by the regional offices as a result of the evaluations and may include enforcement action, or increased inspection frequency and scope.

2. INTEGRATED ASSESSMENT OF LICENSEE PERFORMANCE

a. Program Inputs

Several groups within the NRC will provide inputs to SALP as follows:

- (1) The IE regional office will perform an evaluation of the performance of each licensee semiannually. This evaluation will be used to determine the need for an increase or decrease in the frequency and scope of regulatory activities. The region will document the results of the evaluation and their plans for action, and forward this documentation to the SALP Review Group.
- (2) NRR Project Managers will participate in the regional evaluations discussed in (1) above. The NRR Project Managers and technical support program personnel will also provide input

to the SALP Review Group. In addition, NRR will perform an independent study of the management capabilities and overall training of licensee employees. The results of this study will be submitted to the SALP Review Group for consideration during their initial evaluations.

- (3) The IE Performance Appraisal Branch will perform Management Appraisal (MA) and Program Appraisal (PA) inspections at licensee facilities. The reports of their inspections will contain an appraisal of licensee management which will be forwarded to the SALP Review Group. All licensees will not receive these inspections during the first two years of this program. However, it is expected that the number of licensees inspected will be sufficient to verify regional consistency.
- (4) Other NRC Offices (such as AEOD, etc) may provide input to the SALP Review Group as appraisal methodologies are developed with proven correlation to the safety of operations.

The regional evaluation discussed in (1) above will utilize appropriate portions of the three previously developed methods of performance evaluation. The details of the above evaluation/appraisal techniques will be discussed in Section 3 of this paper.

b. Review of Evaluation Results

Review of NRC evaluation results and the appropriate plans for upgrading performance will be conducted by the SALP Review Group consisting of senior managers from the NRC offices appointed by the Executive Director for Operations. The Review Group will provide an overview function of the evaluations and render an assessment of the safety adequacy of each facility and the adequacy of upgrading plans. Based on the findings, the Review Group is specifically charged to recommend major enforcement sanctions or license modifications to appropriate office directors. The Review Group will also confirm the consistency of regional evaluations and the regional implementation of NRC inspection programs.

The SALP Review Group, in addition to receiving inputs from regional evaluations, will receive inputs from NRR, IE Headquarters, and from other NRC offices as appropriate. The Review Group will convene at least once every six (6) months and review the evaluations of the licensees that are classified as needing "increased inspection scope/frequency." The remaining licensee evaluations will be evaluated once every twelve (12) months.

c. Feedback of Evaluation Results

The primary objectives of SALP are to identify unacceptable elements of licensee performance and to subsequently improve (upgrade) licensee performance. The former objective is achieved by the regional

evaluations and the reviews by the SALP Review Group, but to improve performance the results of these evaluations must be communicated to NRC management. The results of the regional evaluations and the recommended plan for the appropriate corrective action is forwarded to the Regional Director for review and approval. The results of the SALP Review Group are forwarded to the appropriate office director indicating a concurrence with the proposed regional action or recommending additional or alternate action.

NRC offices providing evaluation information will document the results of their evaluations with distribution to the licensee, PDR, and to the SALP Review Group. In addition, the region will submit an interoffice memorandum detailing the future plans for action by the region to correct the deficiencies identified during the evaluation.

The Review Group will issue a report at the conclusion of their periodic reviews to document the extent of their concurrence with the regional evaluations and proposed actions, or their recommendations for additional or alternate action.

Annual meetings will be conducted by regional management with the managements of the licensees evaluated by this program. These meetings will be utilized to discuss the results of the licensee performance evaluations and the NRC's general plan of action for correcting deficiencies.

3. METHODOLOGIES

a. Regional Evaluation

Each region will perform a detailed evaluation of their power reactor licensees semiannually. The evaluations will be performed by a board of the inspectors (including the resident inspector) and supervisors involved in the inspection program for that licensee. The board will also include the NRR Project Manager for the facility. The board will consider the enforcement actions, deficiency/event reports, technical and management performance, and safety attitudes of the licensee. The evaluations will also be based on the observations of the board members and their judgments of the licensee's performance. The evaluation will be the board's consensus of licensee performance; however, dissenting opinions with substantive comments will be included and transmitted to the SALP Review Group for concurrent evaluation. A number of functional areas will be evaluated by the board and a classification of "increase," "decrease," or "no-change" in the frequency and scope of inspection effort will be assigned for each functional area. The board will also provide an overall evaluation of the licensee and a detailed plan of the appropriate actions to upgrade performance.

The evaluation of each functional area will include the following considerations:

- . Adequacy of administrative controls;
- . Adequacy of supervisory review in the functional area;
- . Adequacy of training and qualification of personnel;
- . Adequacy of documentation and records control systems;
- . Overall effectiveness in complying with NRC requirements;
- . Attitude in assuring safe operations; and
- . Significant performance deviations or trends noted from previous evaluations.

The board's evaluation of the licensee's enforcement history in each functional area will include identified items of noncompliance and escalated enforcement actions. A statistical analysis will not be performed on noncompliance data; but an indepth analysis of indicated trends and sanction points will be determined and will be considered in the evaluation.

The board's review of deficiency/event reports will consider the number, significance and repetitive nature of the non-routine events or construction deficiencies in each functional area. The board will provide an indepth analysis of these reports to identify adverse trends (causally-linked events) which indicate insufficient attention to the correction of the events or insufficient capabilities of licensee management in the functional areas. This analysis is similar to that developed in the Trend Analysis Method described in SECY 78-554.

The NRR Project Manager will provide input on the licensee's performance in those functional areas in which he is knowledgeable.

A manual chapter is being developed that specifies the functional areas to be evaluated and the methodology for performing the evaluations.

This evaluation differs from the Regional Survey Method performed by the Hays Associates (referenced in SECY 78-554) in that it is a structured evaluation which represents the consensus of regional personnel and is supportable by inspection results and event reports as opposed to the Hays questionnaire which contained anonymous unsupported opinions.

b. Evaluations by NRR

NRR project managers and NRR technical support program personnel will perform an evaluation of each power reactor licensee semiannually and will submit the evaluation to the SALP Review Group for inclusion in their review. The details of this evaluation are yet to be developed.

In addition, the NRR QA Branch and selected contractors are developing acceptance criteria to describe the capabilities (number of people, kinds of people, background, experience, training, etc.) required of licensee management. This program is Task I.B.1 in NUREG-0660. They will subsequently evaluate all licensees against these criteria. Deficiencies identified in this study will be discussed with each licensee and will be documented in a report. NRR plans to complete this effort in the spring of 1980. The results of this one-time study will be provided to the SALP Review Group for their initial evaluations.

c. Performance Appraisal Branch (PAB) Inspections

Management Appraisal (MA) Inspections will be performed by the PAB on selected licensees in each Region. The objectives of these inspections are to provide a national perspective of licensee performance; to identify performance traits that licensees may have in common; and to confirm inspector objectivity.

The MA inspections are conducted at the licensee's corporate offices and at the reactor site with emphasis on evaluating the effectiveness of the licensee's management in controlling licensed activities and in providing technical support to ensure compliance with regulatory requirements and safety of operations. Results of these inspections will be furnished to the the SALP Review Group.

The technique for appraising licensee management performance is discussed in detail in the PAB annual report for FY 79. Basically, the MA inspection involves an appraisal of the licensee in a number of functional areas. The appraisals in these functional areas are based on a management control system which should contain the following features:

- . Written policies and procedures
- . Adequacy of the program to cover current requirements and guidance
- . Qualification and training of personnel implementing the program
- . Awareness by the personnel implementing the program of their responsibilities

. Implementation of the program

IE Program Appraisal (PA) Inspections will also be conducted. These inspections are primarily designed to determine IE program effectiveness; however, information from these inspections will be provided to the SALP Review Group when the inspection results indicate a licensee performance problem or a significant program weakness.

Manual chapters are being developed specifying the methodologies of the MA and PA inspections and appraisals.

SALP

(SYSTEMATIC ASSESSMENT OF LICENSEE PERFORMANCE)

(PREVIOUSLY ENTITLED LRPE - LICENSEE REGULATORY PERFORMANCE EVALUATION)

1. NUREG 0397 (REVISED INSPECTION PROGRAM)

A. LICENSEE EVALUATION FROM NATIONAL PERSPECTIVE

B. EVALUATION OF PROGRAM EFFECTIVENESS

C. CONFIRMATION OF INSPECTOR OBJECTIVITY

2. SECY 78-554 (LICENSEE REGULATORY PERFORMANCE EVALUATION)

A. IDENTIFY FACTORS OF REGULATORY PERFORMANCE LEVELS

B. EFFECTIVE AND EFFICIENT USE OF NRC RESOURCES

C. EVALUATION OF NRC INSPECTION PROGRAM

ACTION PLAN - TASK I.B.2 (SALP)

1. SEMIANNUAL APPRAISAL BY REGIONS
2. HEADQUARTERS REVIEW GROUP

OBJECTIVES OF SALP INTEGRATED METHODOLOGY

1. IDENTIFY UNACCEPTABLE LICENSEE PERFORMANCE
2. IMPROVE LICENSEE PERFORMANCE
3. IMPROVE IE INSPECTION PROGRAM
4. PROVIDE A BASIS FOR MANAGEMENT'S ALLOCATION OF NRC RESOURCES
5. OBTAIN REGIONAL CONSISTENCY BY PERFORMING APPRAISALS OF LICENSEE PERFORMANCE FROM A NATIONAL PERSPECTIVE.

PROGRAM INPUTS

1. REGIONAL APPRAISAL OF LICENSEE PERFORMANCE
2. NRR
 - A. PROJECT MANAGERS AND TECHNICAL SUPPORT PROGRAM PERSONNEL
 - B. MANAGEMENT CAPABILITIES REVIEW
3. PERFORMANCE APPRAISAL BRANCH (PAB) MANAGEMENT APPRAISAL
INSPECTION REPORT
4. OTHER NRC OFFICES AS APPROPRIATE

EVALUATION OF APPRAISAL RESULTS

1. SALP REVIEW GROUP

2. EVALUATIONS

3. REPORTS

APPRAISAL FEEDBACK

1. MANAGEMENT FOR ACTION
2. APPRAISAL REPORTS
 - A. LICENSEE
 - B. PDR
3. MANAGEMENT MEETINGS

APPRAISAL METHODOLOGIES

1. REGIONAL APPRAISAL

2. NRR

3. PERFORMANCE APPRAISAL BRANCH

REGIONAL APPRAISAL

1. FREQUENCY - SEMI-ANNUAL
2. BOARD
3. SOURCE OF INFORMATION
 - A. ENFORCEMENT HISTORY
 - B. EVENT REPORTS
 - C. COLLECTIVE JUDGMENT OF INVOLVED INSPECTORS AND MANAGERS
 - D. INPUT FROM NRR PROJECT MANAGER
4. REPORTS
 - A. APPRAISAL RESULTS
 - B. ACTION PLAN

NRR PROJECT MANAGERS AND TECHNICAL SUPPORT PROGRAM PERSONNEL

NRR STUDY OF MANAGEMENT CAPABILITIES

1. PERFORMED BY QA BRANCH AND CONTRACTORS
2. DEVELOPING ACCEPTANCE CRITERIA ON NUMBER, KINDS, BACKGROUND AND EXPERIENCE OF PEOPLE NEEDED TO MANAGE A PLANT AND THE TRAINING NEEDS
3. EVALUATE LICENSEE'S AGAINST CRITERIA
4. REVIEW EVALUATION RESULTS WITH LICENSEES
5. ISSUE EVALUATION REPORT IN SPRING 1980

PERFORMANCE APPRAISAL BRANCH MANAGEMENT INSPECTIONS

1. EMPHASIS ON "HOW" LICENSEE MANAGES LICENSED ACTIVITIES
2. ELEVEN FUNCTIONAL AREAS
3. MANAGEMENT SYSTEM FEATURES
 - A. WRITTEN POLICIES AND PROCEDURES
 - B. ADEQUACY OF POLICIES AND PROCEDURES
 - C. QUALIFICATIONS AND TRAINING
 - D. AWARENESS OF PROGRAM REQUIREMENTS
 - E. PROGRAM IMPLEMENTATION