



NUCLEAR MANAGEMENT AND RESOURCES COUNCIL

1776 Eye Street N.W. • Suite 300 • Washington, DC 20006-2496  
(202) 872-1280

*B.G.S. and App. action  
follow up letter  
copy to PDR*

January 18, 1989

Mr. Frank J. Miraglia  
Associate Director for Inspection  
& Technical Assessment  
Office of Nuclear Reactor Regulation  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555

Dear Mr. Miraglia:

The purpose of this letter is to provide you with a progress report on industry activities to address improvements in the procurement process for nuclear plant equipment. As you know the industry activities in this area have been led by the NUMARC Nuclear Plant Equipment Procurement (NPEP) Working Group chaired by Bill Cavanaugh, President and CEO of SERI. In our June 26, 1989, letter to you we attached a discussion paper, "Nuclear Procurement Issues," that outlined the areas of procurement improvements under consideration by the Working Group.

The Working Group continued in its efforts and the following actions have been taken by the industry to date:

1. At the March 8, 1989 meeting of the NUMARC Board of Directors an industry initiative was established with regard to programs for the use of commercial grade items (CGI) in safety related applications. This initiative called for the utilities to review CGI programs to meet the intent of EPRI NCIC-07, "Guidelines for the Utilization of Commercial Grade Items in Nuclear Safety Related Applications," and to complete this review and implement any necessary improvements by December 31, 1989. We are currently collecting data from the industry regarding the status of completion of this initiative. We will provide a report on this status to you in February of this year.
2. To facilitate industry wide sharing of information with respect to specific component problems, the Institute of Nuclear Power Operations (INPO) established a new category on the INPO Nuclear Network System. NUMARC communicated by letter to the industry in October 1989, regarding the existence of this category and encouraging its use for expeditious sharing of information regarding specific equipment and material related problems.
3. A new industry organization, the Nuclear Procurement Issues Committee (NUPIC), was formed by the integration of two previously existing industry efforts. This new organization will serve two distinct purposes. The first is to facilitate the sharing of QA auditing information amongst all utilities; and, the second

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purpose is to provide for joint QA auditing activities to more efficiently and effectively conduct QA audits with reduced resource impact for both utilities and suppliers. The NUPIC organization is fully functional and is currently undertaking both of these activities.

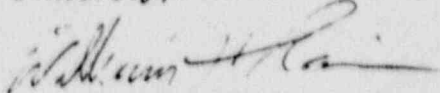
4. The Working Group has reviewed and assessed EPRI NP-5652, "Guideline for Technical Evaluation of Replacement Items in Nuclear Power Plants (TERI)." This guideline provides a process for evaluating the acceptability of replacement items such as those that must be replaced due to equipment obsolescence. The Working Group acknowledged this document as providing a sound process for replacement parts evaluations and we will shortly make this document available industry wide. However, our reviews have identified other established processes already in place for these evaluations that are equally effective and appropriate. We therefore do not intend to make this document the subject of an industry initiative.

In December of 1989 the NPEP Working Group completed assessment of the remaining areas noted in our previously referenced discussion paper, "Nuclear Procurement Issues." The items remaining to be addressed concern guidelines for performance based supplier audits, guidelines for product acceptance including receipt inspection and general procurement practices including the use of approved suppliers and original equipment manufacturers. Actions on these remaining items will be brought before the NUMARC Board of Directors at our next meeting scheduled for March 7, 1990. We will inform you immediately after this Board of Directors meeting on the disposition of these items and provide to you a comprehensive summary of industry actions to affect the improvements in the procurement process that both the industry and the NRC Staff believe appropriate.

To provide you further detail on these specific areas, I have enclosed a copy of the NPEP Working Group's revised action plan for your information.

If you desire additional information regarding the industry activities described herein or the present activities of the NUMARC NPEP Working Group please contact Alex Marion or Biff Bradley of the NUMARC staff.

Sincerely,



William H. Rasin  
Director, Technical Division

WHR/rs  
Enclosure

cc: William Cavanaugh, SERI

## NPEP WG ACTION PLAN

### \* PERFORMANCE BASED AUDITING

- Establish generic guidelines for the performance based audit process and agreement of industry (individual utilities and NUPIC) to utilize performance based audits where applicable. The guideline document, "Guidelines for Performance Based Supplier Audits" has been produced by EPRI and reviewed by NUPIC.
- Establish utility implementation schedule and training program.
- Provide recommendation for industry initiative to NUMARC Board of Directors at 3/7/90 meeting.

### \* RECEIPT INSPECTION PROCESS

- Establish agreement of industry to perform procurement activities in accordance with the "Guidelines for the Procurement and Receipt of Items for Nuclear Power Plants," a guideline document which has been developed by EPRI to address proper determination of technical and quality requirements and the use of acceptance methods, including receipt inspection, to verify these requirements. These guidelines focus on the need for engineering involvement in these phases of the procurement process, and will incorporate lessons learned from recent experiences with substandard and fraudulent products.
- Establish utility implementation schedule and training program.
- Provide recommendation for industry initiative to NUMARC Board of Directors at 3/7/90 meeting.

### \* DEDICATION PROGRAMS

- Endorsed EPRI document NP-5652, "Guideline for the Utilization of Commercial Grade Items (CGI) in Nuclear Safety Related Applications" for industry use as a guidance document.
- NUMARC Board of Directors action on 3/8/89. Approved an Initiative for programs to be in place by 12/31/89.
- NUMARC/EPRI training seminars held in 7/89.

\* OBSOLESCENCE

- Evaluate EPRI document NP-6406, "Guideline for the Technical Evaluation of Replacement Items in Nuclear Power Plants (TERI)" for use as industry guidance. This guideline provides a process for evaluating acceptability of replacement items, the need for which may be brought about by equipment obsolescence. The Working Group has completed its evaluation and has recommended acknowledgment of this document as providing a sound process for replacement part technical evaluations. However, other established processes for technical evaluations are effective and appropriate, so use of the TERI document would not be unilaterally required through an industry initiative. This acknowledgement of TERI was addressed in a December 8, 1989 NUMARC letter to the industry.
- Acknowledgement of the TERI document will be discussed in the updated "Procurement Issues" paper.

\* GENERAL PROCUREMENT

- Obtain commitment to apply appropriate resources, including technical resources (e.g., test equipment, engineering personnel) to procurement activities to ensure product quality and performance capability is established and verifiable.
- Provide for increased and improved utility use of joint audits. Establish industry agreement to use and support NUPIC, including provision of auditors and technical personnel to support NUPIC performance based audits.
- Obtain agreement to specify new products and, where appropriate, to establish traceability to OEM or define performance characteristics and verify (dependent on complexity of item). This is not applicable to procurement of services.
- Recommend procurement through normal channels, i.e. directly from the manufacturer or authorized distributor with audit history by individual utility or NUPIC.
- Encourage use of newly developed INPO Nuclear Network category "Parts and Materials Information Exchange" and existing activity "Nuclear Quality Assurance Information Exchange" as clearing house for supplier/product information and audit/inspection results. NUMARC letter to industry of October 24, 1989, notified utilities of NETWORK categories and encouraged use for above purposes.
- Provide recommendation for industry initiative to NUMARC Board of Directors at 3/7/90 meeting.

\* INFORMATION EXCHANGE

- Utilize Nuclear Network for communication of procurement information.
- Share information on audit results, rejections and joint utility activities through NUPIC.
- Industry commitment will be integrated into above General Procurement Initiative.

\* GUIDELINES FOR DETECTING FRAUDULENT ACTIVITIES

- Detail examples of fraudulent activities.
- Identify considerations that have the potential for leading to fraudulent activities.
- Detail programmatic aspects that have a potential for leading to fraudulent activities.
- These items will be treated as appendices to the "Procurement and Receipt" guideline document (see above) that will be proposed as an industry initiative at the NUMARC BOD meeting on 3/7/90.

\* UTILITY/DISTRIBUTOR RELATIONSHIP

- Establish and maintain dialogue with the trade associations for distributors of various electrical/mechanical components.
- Establish an effort to address the relationship between utilities and distributors to ensure a common understanding is achieved in detailing what can/cannot be expected of each. Address aspects such as drop shipments, expected level of documentation, support to quality audits and surveillances, etc.
- Utility/Distributor relationship will be discussed in the updated "Procurement Issues" paper.