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EEI EDISON ELECTRIC INSTITUTE

LORING E. MILLS
Vice President, Nuclear Activities

Decemb 1990

Mr. Samuel J. Chilk
Secretary
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555
Attention: Docketing and Service Branch

Dear Mr. Chilk:

Enclosed are the comments of the Edison Electric Institute on the Draft Policy Statement on Possible Safety Impacts of Economic Performance Incentives (55 Fed. Reg. 43231).

Edison Electric Institute is the association of electric companies. Its members serve 96 percent of all customers served by the investor-owned segment of the industry. They generate approximately 78 percent of all the electricity in the country and service 74 percent of all ultimate customers in the nation.

EEI agrees with NRC's decision to issue this Draft Policy Statement. We take no position on the desirability of economic performance incentives, but if such incentives are implemented, they should be explicitly designed so they do not adversely impact safety. Utilities are committed to follow the strictest standards of nuclear plant safety, with or without incentive regulations. Never-the-less NRC should appraise the potential safety consequences of these economic regulatory programs.

EEI appreciates the opportunity to submit these comments.

Sincerely,

Loring E. Mills

Loring E. Mills

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COMMENTS OF
EDISON ELECTRIC INSTITUTE

DECEMBER 10, 1990

Edison Electric Institute (EEI), the association of investor-owned electric utilities, submits these comments in response to the draft policy statement, "Possible Safety Impacts of Economic Performance Incentives," published by the Nuclear Regulatory Commission (NRC) in the Federal Register on October 26, 1990 (pages 43231-43233).

EEI appreciates the opportunity to comment on this Draft Policy Statement. Our members operate 101 of the 112 commercial nuclear power plants in the United States, and, like the NRC, take a very great interest in assuring the continued safety of nuclear plant operations.

In approaching this subject, it is important to recognize that safety standards are paramount and any use of economic incentive programs must not contribute to the erosion of safety attributes. In fact, we believe that an uncompromising approach to safety is in the best economic interest of plant operators, their customers, and their shareholders.

It is within the NRC's legitimate scope of authority and responsibility to consider the <u>potential</u> safety consequences of economic performance incentives, and to seek continuing assurances from the states that any financial incentive programs will not undermine the NRC's paramount safety objectives.

We expect operators will respect safety requirements irrespective of economic incentives; nevertheless, incentives should be designed so that they do not adversely impact safety. In particular, we agree that sharp penalty thresholds and short time intervals might under certain circumstances create disincentives to safety performance, and that graduated thresholds and longer time intervals avoid this problem. Graduated programs, in the sense that the dollar-impact of performance is a function of the number of percentage points that performance falls above or below a dead band (i.e., null zone) overcome the sharp thresholds concern. This basic feature car be enhanced by allowing operators to "bank" superior performance for use in offsetting lower performance, by relying on multi-year rolling averages which tend to smooth the financial impact of varying performance, or by using system-wide (as opposed to unit-specific) performance measures.

We strongly agree that the use of NRC periodic performance assessments such as the Systematic Assessment of Licensee Performance (SALP) and NRC performance indicators as a basis for assigning financial rewards or penalties is <u>entirely inappropriate</u>. Indicators directly coupled to reactor safety, such as automatic reactor shutdowns or unplanned safety system actuations, should be avoided. These indicators do not measure generating performance, which is the factor most closely correlated with customer benefits.

Moreover, they reflect a good deal of subjective judgement.

In conclusion, EEI takes no position on the desirability of economic performance incentives; this is a question appropriately decided by utility managements and their state regulators. We believe licensees will put safety first under any circumstances. Nevertheless, we agree that where performance incentives are implemented, they should be explicitly designed to reinforce safety. EEI stands ready to facilitate cooperation in this area where appropriate.