

March 23, 1999

SECY-99-086

FOR: The Commissioners

FROM: William D. Travers /s/
Executive Director for Operations

SUBJECT: RECOMMENDATIONS REGARDING THE SENIOR MANAGEMENT
MEETING PROCESS AND ONGOING IMPROVEMENTS TO EXISTING
LICENSEE PERFORMANCE ASSESSMENT PROCESSES

PURPOSE:

- (1) To obtain the Commission's approval of the staff's recommendations regarding the elimination of the watch list and superior performer recognition in the senior management meeting (SMM) process during the interim period between the suspension of the systematic assessment of licensee performance (SALP) program and final approval and implementation of the revised reactor oversight process.
- (2) To inform the Commission of incremental improvements to the existing processes for assessing licensee performance during this interim period.

BACKGROUND:

Following the Davis-Besse loss-of-feedwater event in 1985, the agency established the SMM process to provide a forum for senior managers to meet twice a year to evaluate operational safety performance of commercial nuclear power plants. The primary goal of the SMM is to identify declining trends in the safety performance of individual plants so that early corrective actions can be implemented. The current SMM policy and process are described in Management Directive (MD) 8.14, "Senior Management Meeting (SMM)."

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As noted in MD 8.14, the objectives of the SMM process are (1) to communicate the concerns of senior NRC managers to licensees of plants with poor performance or adverse performance trends; (2) to ensure that coordinated courses of action are developed and implemented for licensees of concern before problems reveal themselves as significant events; (3) to formally recognize nuclear power plants that have demonstrated superior operational safety performance; (4) to review significant generic issues affecting nuclear power plants, major fuel cycle facilities, and materials licensees; and (5) to inform the Commission, the Congress, and the public of senior management decisions.

Since the inception of the SMM process, the NRC has continued to look for ways to improve its effectiveness in evaluating licensee performance and identifying those plants that warrant increased agency attention. In SECY-99-007, "Recommendations for Reactor Oversight

Process Improvements,” the staff provided the Commission its recommendations for improving the NRC’s reactor oversight process, including the inspection, assessment, and enforcement processes. In particular, SECY-99-007 describes the new assessment process which will replace the current SMM process. Currently, the revised oversight process is to be piloted in the second half of 1999, and full implementation is expected to begin in January 2000. However, while awaiting final process approval and implementation, the staff will continue to make interim changes to the current inspection and assessment processes consistent with the direction of the revised oversight process.

DISCUSSION:

Recent Improvements to the Current Assessment Processes

The Commission approved the suspension of the SALP program in its staff requirements memorandum (SRM) dated September 15, 1998. In this SRM, the Commission directed the staff to ensure that plant performance reviews (PPRs) effectively monitor and describe the results of NRC assessments of licensees’ performance and enhance public knowledge of the PPR process. In response, the staff informed the Commission of its plans for the suspension of the SALP program in SECY-98-218, “Suspension of the Systematic Assessment of Licensee Performance Program,” on September 21, 1998. On October 2, 1998, the staff informed licensees, the public, and other stakeholders of the suspension of the SALP program and the role of PPRs in Administrative Letter 98-07, “Interim Suspension of the Systematic Assessment of Licensee Performance (SALP) Program.”

The staff developed and implemented several improvements to the PPR process in February 1999 as discussed in memoranda from NRR to the regions dated September 24 and December 15, 1998, and January 29, 1999. Key improvements include the following: (1) the PPR letters will contain a greater amount of the assessment information that was utilized in the PPR process, (2) the PPR letters will explain the role of PPRs in providing assessment information while the SALP program is suspended, and (3) the staff will conduct public meetings with all licensees to discuss licensee performance at least every 2 years. For plants that have negative performance trends, public meetings will be held more frequently. In addition, the staff has continued to improve the consistency of the content and format of the plant issues matrix (PIM).

The staff believes that the noted improvements strengthen the PPR process in the absence of the SALP program and enhance the understanding of the assessment process, its results, and the current NRC actions by the public, licensees, and other stakeholders. In addition, these improvements to the PPR process are consistent with the transition to the revised oversight process.

Proposed SMM Process Improvements

The agency is developing a revised oversight process, and plans to begin transitioning to the revised process later this year. In its SRM dated June 30, 1998, the Commission directed the staff to transition to an annual senior management review in Fiscal Year 1999. The staff has begun implementing an annual SMM cycle. The next SMM is scheduled for April 20 and 21, 1999, at the Region IV office in Arlington, Texas. We expect to conduct one last SMM in the year 2000 during the transition to the revised oversight process.

The staff proposes to make several interim changes to the remaining SMMs, consistent with the future direction of the oversight process. The proposed changes include the following:

1. **Eliminate the watch list**

Under the current SMM review process as described in MD 8.14, senior NRC managers determine which plants warrant NRC monitoring beyond that normally required by the inspection program, and these plants are placed on the watch list. The watch list consists of three categories: Category 3 contains those plants that are shut down and require Commission authorization to restart; Category 2 contains those plants authorized to operate that the NRC will monitor closely; and Category 1 contains those plants removed from the watch list (i.e., previously designated as Category 2). The senior NRC managers also utilize the SMM process to identify those plants which have exhibited declining trends in performance, that if not corrected, may result in the plant's being placed on the watch list (these plants are sent trending letters).

Although the agency's watch list system has been successful in focusing agency and licensee attention on poorly performing plants, the new inspection and assessment process will accomplish this goal through the use of risk-informed performance indicators and inspections, allowing the agency to focus its resources more effectively. The staff believes that the objectives of the SMM, as stated in MD 8.14 and as previously noted herein, can be realized without the use of the watch list. The staff believes that the elimination of the watch list will not compromise the agency's ability to focus on the plants and issues of greatest concern, and this action is consistent with the direction of the revised oversight process. Therefore, the staff recommends that the NRC eliminate the use of the watch list.

The screening meetings will focus on identifying those plants for discussion at the SMM that potentially warrant agency-level attention (i.e., "agency-focus" plants) while screening out those plants that clearly warrant only routine oversight or regional-level attention (i.e., "regional-focus" plants). Pro/con charts will be used to determine whether the plants discussed during the SMM warrant agency focus or whether regional focus is adequate. Agency-focus plants would be characterized by EDO and Commission

involvement (e.g., issuance of an order) while regional-focus plants would be managed by the regional administrators (e.g., issuance of a confirmatory action letter, implementation of the Inspection Manual Chapter 0350, "Staff Guidelines for Restart Approval," process). Removal matrices will be used to determine whether plants currently receiving agency focus still warrant the increased attention. The NRC will not, however, continue to publish and maintain a watch list on the basis of the results of the SMM. The staff will communicate the results of the SMM to the Commission for negative consent as required by the SRM dated June 30, 1998. The Commission Paper written following the April 1999 SMM will identify those plants that warrant agency-level attention, as well as those plants currently on the watch list. The Commission Paper written following the April 2000 SMM will identify only those plants warranting agency-level attention. The focus of the annual public Commission meeting will be on those plants identified during the SMM that warrant agency-level attention, as well as an update on the status of those plants that received NRC action as a result of the previous SMM. The discussion will include the plant's current status, the NRC's planned response, and the rationale for future agency action.

2. Eliminate recognition of superior performers

Under the existing process, the NRC recognizes plants that have been assessed as SALP Category 1 in all functional areas during their most recent SALP rating period and that meet the additional performance criteria contained in MD 8.14, such as sustained superior performance and no adverse performance indicators since the last SALP. The EDO formally recognizes a superior performer after the first SMM following the issuance of the superior SALP report by sending a letter to the licensee. The letters are placed in the Public Document Room; however, the NRC does not issue a press release, nor are the plants discussed at the Commission meeting following the SMM.

With the suspension of the SALP process in September 1998, the existing basis for determining superior performance has been eliminated. Although recognizing superior performance is a stated objective of the SMM in MD 8.14, several licensees have indicated that superior performance recognition may have an adverse impact on financial standing and public image caused by exclusion or future removal from the superior performer list. In addition, the staff believes that the industry has progressed in its own ability to identify and share good practices among themselves. On the basis of feedback from stakeholders during the public comment period on the revised oversight process, all respondents agreed that the NRC should not formally recognize plants that perform at a superior level.

Therefore, the staff recommends that the NRC no longer recognize plants for superior performance. This change is consistent with the direction of the revised oversight process.

3. Issue docketed correspondence as a result of the SMM only when the agency's intended actions are different from those conveyed in previous correspondence

As a result of the ongoing improvements to the existing assessment processes, the regional staff transmits PPR letters (i.e., docketed correspondence) containing its

assessment of licensee performance and the NRC's intended actions to all licensees after the SMM screening meetings. Under the current SMM process, the EDO issues letters to licensees of all plants on the watch list, plants exhibiting adverse performance trends (trending letters), and plants being recognized as superior performers following completion of the SMM. Under this scenario, poor performing licensees would receive docketed correspondence containing performance assessment results after the screening meetings and again a few weeks later after the SMM. In addition, issuing docketed correspondence to the licensees of all plants discussed at the SMM would essentially create a de facto watch list, which would defeat eliminating the watch list.

Therefore, the staff recommends that docketed correspondence be issued to the licensees as a result of the SMM only when the agency's intended actions are different from those conveyed in previous docketed correspondence. However, in order to disposition current watch list or trending letter plants, the staff plans to issue docketed correspondence to those plants to inform the licensees of the agency's decision to eliminate the watch list and to communicate the NRC planned actions as a result of the April 1999 SMM.

The remainder of the SMM process, including the preparation for and the intent of the SMM, should remain unchanged during this transition period into the revised oversight process. The SMM will continue to provide the highest level of agency review of plants and facilities whose performance is of most concern. If the Commission approves the staff's recommendations regarding the elimination of the watch list and superior performer recognition in the SMM process, we will notify all stakeholders of this policy decision.

COORDINATION:

The Office of Public Affairs has reviewed this Commission paper and concurs.

The Office of the General Counsel has reviewed this Commission paper and has no legal objections to its content.

The Office of the Chief Financial Officer has reviewed this Commission paper for resource implications and has no objections to its content.

The Chief Information Officer has reviewed this Commission paper and concurs.

RECOMMENDATIONS: That the Commission —

Approve the staff's plans to —

- (a) eliminate the use of the watch list,
- (b) eliminate the recognition of superior performance, and
- (c) issue docketed correspondence as a result of the SMM only when the agency's intended actions are different from those conveyed in previous correspondence.

Note: Commission response in the form of an SRM is requested by April 9, 1999, in order to support the April 20-21, 1999 SMM.

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See next page for concurrence.

*See previous concurrence

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