

October 9, 1997

FOR: The Commissioners

FROM: L. Joseph Callan /s/  
Executive Director for Operations

SUBJECT: RESPONSE TO STAFF REQUIREMENTS MEMORANDUM OF MAY 20, 1997, REGARDING CYCLICAL DECLINES IN LICENSEE PERFORMANCE AND THE USE OF CORPORATE-WIDE PERFORMANCE DATA (M970425).

## PURPOSE:

This Commission paper responds to a staff requirements memorandum (SRM) in which the Commission asked the staff to evaluate inspection and enforcement programs to determine: (1) whether the NRC can improve its methods of identifying and taking appropriate regulatory action for cyclical declines in licensee performance; and (2) whether, for utilities with multiple reactor sites, it is appropriate to consider corporate-wide performance data in decisions on individual site performance trends.

## BACKGROUND:

As a result of the January 1997 senior management meeting (SMM), the NRC issued a request for information pursuant to 10 CFR 50.54(f) regarding safety performance at Commonwealth Edison Company (ComEd) nuclear stations. The letter, dated January 27, 1997, stated that "the cyclical safety performance of ComEd nuclear stations has long concerned the Commission and NRC staff." Based on the concerns, the NRC requested "information explaining why NRC should have confidence in ComEd's ability to operate six nuclear stations while sustaining performance improvement at each site." ComEd responded by letter dated March 28, 1997.

On April 25, 1997, a public meeting between the Commission and senior executives of the ComEd company was held to discuss ComEd's response to the 10 CFR 50.54(f) letter. The Commission was also briefed by the staff regarding its assessment of the response.

Following the April 25 meeting, the Commission asked the staff to evaluate, on a generic basis, appropriate aspects of the NRC inspection and enforcement programs to determine: (1) whether the NRC can improve its methods of identifying and taking appropriate regulatory action for cyclical declines in licensee performance; and (2) whether, for utilities with multiple reactor sites, it is appropriate to consider corporate-wide performance data in decisions on individual site performance trends.

The staff's response to the request follows.

#### DISCUSSION OF WHETHER THE NRC CAN IMPROVE ITS METHODS OF IDENTIFYING AND TAKING APPROPRIATE REGULATORY ACTION FOR CYCLICAL DECLINES IN LICENSEE PERFORMANCE:<sup>(1)</sup>

The staff can improve its methods of identifying cyclical declines in licensee performance. Improvements in the staff's ability to identify performance declines will result from ongoing efforts to improve the SMM. However, existing regulatory tools are sufficient to enable the staff to take appropriate action to address cyclical declines in licensee performance.

Activities such as inspection and enforcement programs, regional plant performance reviews (PPRs), Systematic Assessment of Licensee Performance (SALP), and the SMM, provide information to identify licensees with declining or marginal safety performance and to direct agency resources to those licensees. The intent of these activities is to consider all available sources of information in identifying trends associated with licensee performance.

The staff focuses regulatory attention on licensees whose plants show declining or marginal safety performance to ensure that those licensees take actions to identify the underlying causes for the decline or marginal performance and to bring about lasting corrective actions. If at anytime during the inspections or assessment processes, adequate protection of public health and safety cannot be assured, the staff can and would initiate appropriate action, ranging from issuing a confirmatory action letter to issuing an order.

Cyclical performance may be indicative of ineffective corrective actions in that existing problems remain unresolved or re-emerge. Other concerns regarding cyclical performance were identified in the 50.54(f) letter sent to ComEd (e.g., (1) the lack of effective management attention and application of resources, (2) weak corporate oversight of nuclear operations, and (3) poor problem recognition and failure to ensure lasting corrective actions).

Current attributes of the inspection and enforcement processes can and do provide information to identify cyclical performance. For example, NRC Inspection Procedure (IP) 40500, "Effectiveness of Licensee Controls in Identifying, Resolving, and Preventing Problems," is a fundamental tool for assessing licensee corrective action processes and other performance information over a 12- to 24-month period (SALP period). The plant issues matrix (PIM) tabulates issues and helps integrate NRC inspection findings. The regional PPRs use PIM and other data to assess performance and identify trends. Additionally, in developing enforcement actions in accordance with the NRC Enforcement Policy, the past two years of performance is routinely considered. Repeat violations, including those associated with cyclical performance, can result in escalation of enforcement sanctions.

As part of the SMM improvement process<sup>(2)</sup>, the staff is working with a contractor to develop and validate a trending methodology. The trending methodology will be a representation of integrated plant performance over time, based on a variety of performance indicators. As the trending

methodology is further developed and validated, it will be factored into existing assessment processes. The staff plans to begin using the trending methodology during the October and November 1997 SMM screening meetings. These measures will improve the staff's ability to recognize cyclical performance.

#### DISCUSSION OF WHETHER, FOR UTILITIES WITH MULTIPLE REACTOR SITES, IT IS APPROPRIATE TO CONSIDER CORPORATE-WIDE PERFORMANCE DATA IN DECISIONS ON INDIVIDUAL SITE PERFORMANCE

It is appropriate to consider corporate performance in decisions on individual site performance. Corporate performance can affect performance at individual sites. Shifting licensee resources to improve the performance at one site can result in a corresponding decline at another site. Other corporate influences, including economic-related stresses, such as deregulation and company downsizing, can also affect an individual site's ability to sustain performance.

Typically, NRC inspection and assessment processes have focused on individual sites. Corporate performance is routinely assessed for those corporate activities that have a direct effect on individual plant or site performance. For example, individual sites may rely on corporate engineering or corporate oversight functions to support daily plant operations. In this context, it is appropriate to consider those activities in assessing individual site performance.

Beyond this, NRC office responsibilities are structured such that various oversight activities capture commonalities among sites. For example, the NRR project directorate organization, regional branch organization, and SMM process are structured so that headquarters and regional management maintain awareness of licensee corporate activities that could affect individual sites. The staff discusses, during daily calls, enforcement meetings and the SMM processes an individual site's problems and how those problems are conveyed to or may be brought about by other sites within the corporation (i.e., problems may be similar among sites or may be a result of resource limitations). When concerns are identified, the staff initiates appropriate action to communicate them to licensees and ensure any problems are addressed. For example, regional management have conducted management meetings with licensee corporate managers to discuss corporate support to their sites.

With respect to ComEd, the staff has formed a performance oversight panel chaired by the Region III, Regional Administrator to provide an integrated NRC assessment of ComEd's nuclear safety performance. This panel is meeting with ComEd on a periodic bases to review the results of ComEd's performance indicator program for its six nuclear stations. Also included with this review the staff is assessing whether specific issues at one facility are being evaluated for applicability corporate wide and lessons learned are being appropriately implemented at the other sites. Any insights gained from this experience will be factored into the agency's program for performance monitoring.

In addition, and as described in SECY-97-072, the staff is reviewing the usefulness of site-wide and corporate-wide indicators as part of the effort for improving the SMM process. Economic decisions and other influences can lead to stresses that ultimately can be reflected in site performance. Therefore, data that may predict site or corporate economic stresses are being considered for use as a leading indicator of performance. A review of the data's usefulness for leading to insights and decisions about individual sites is ongoing. After validation, the staff will use these indicators in its processes for evaluating licensee performance.

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- <sup>0</sup>For purposes of responding to this SRM, "cyclical performance" is defined as "periods of safety performance decline to a level that warrants agency focus (i.e., Watch List, trending letter, etc.) followed by periods of performance improvements and then subsequent performance deterioration."
- The staffs' recommendations for improving the SMM process were conveyed to the Commission by SECY-97-072, "Staff Actions To Improve the Senior Management Meeting," and an update briefing was provided on September 19, 1997.