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“Building a Bright Future on a Solid Foundation”

Remarks of NRC Commissioner William C. Ostendorff at the Annual Regulatory Information Conference, March 10, 2015, as Prepared for Delivery

Good morning. It is a privilege to once again address this audience of distinguished colleagues from the global nuclear safety community. It is a distinct pleasure to welcome our international colleagues.

Before I begin, I have a few notes of appreciation. First, I want to thank the NRC staff who work so hard every year to prepare for the RIC.

Second, I want to thank fellow Commissioner colleagues and their staffs. To Chairman Burns and Commissioner Baran, welcome to your first RIC in your current roles. I’m impressed by how smoothly you and your staffs have transitioned into your new roles and responsibilities. To Commissioner Svinicki, thank you for continuing to be an exemplary Commissioner and close colleague.

Third, to the NRC staff, a heartfelt thanks for the high caliber of your work and dedication to the NRC’s mission. It is a true privilege to work alongside you.

A few final notes of special thanks. First, to a former member of my personal staff, John Tappert. John left my office last year after over two years as my chief of staff. John is now serving as director of the Division of Engineering in the Office of New Reactors. I could not have asked for a more high-performing, professional and collegial individual. I am most grateful for your hard work and service to the NRC. Thank you, John.

Second, to Jim Wiggins, the director of the Office of Nuclear Security and Incident Response. Jim will be leaving the NRC in April after 35 years of dedicated service following six years as a nuclear submarine officer. We are all indebted to Jim for his commitment to common sense, pragmatic regulation. Jim, thank you for your leadership, service and friendship.

This is now my fifth RIC with you as a Commissioner.

Since last year, we have seen some significant changes for the NRC. We’ve had Commission members leave – Apostolakis, Magwood and Macfarlane – and new members join.

But as you know, change is not new for the NRC. We have handled changes in the past: Three Mile Island, 9/11, Fukushima, and various reorganizations, as well as changes in the economics of the

nuclear industry. And changes will continue into the future as our agency will face new technical issues and will no doubt adopt new and better ways of doing business. But, throughout these changes, the NRC remains committed to the principles of good regulation. These principles are the bedrock upon which we build our regulatory framework.

I find periodic assessments of how we are doing as a regulator a constructive exercise, especially reflecting upon how we live up to our principles of good regulation. Last year I offered my perspectives on the principles of independence and openness as well as the highly valued technical competence of our staff.

My remarks today will focus on one principle of good regulation: efficiency. And, I will focus on the NRC as a team.

The principle of efficiency has the following attributes:

It provides that the NRC should have the best management and administration.

It requires the highest technical and managerial competence.

It values the ability to continually upgrade our regulatory capabilities.

And it holds that regulatory activities should be consistent with the degree of risk reduction achieved and emphasizes timely decision-making while minimizing the use of resources.

Why should a Commissioner talk about efficiency? The short answer: Because actualizing, or making real, “efficiency” is essential to being an effective regulator.

The principle of efficiency was at the forefront of the Commission’s mind when it chartered the Project Aim effort last summer to determine how best to enhance the agency’s ability to plan and execute its mission while adapting to a dynamic environment.

You may wonder: Why did the NRC decide it needed to change? It is not because we were doing things wrong. For 40 years, the NRC has met its safety, security and safeguards mission and has generally met or surpassed agency performance measures.

But it is not enough to accomplish the mission or meet internal metrics. We owe it to the public to be as effective, efficient, agile and flexible as possible so as to provide the best value for the dollars spent on our budget. While we will never be perfect in this regard, we acknowledge that there is ample room for improvement in these areas.

The Project Aim report points out that we have grown over the years in response to a number of events. For example, following the terrorist attacks in 2001, the agency grew to enhance security and incident response. The agency also grew after the Energy Policy Act of 2005 in response to a forecast

of a nuclear renaissance. In 2011, we faced difficult and complex decisions about what regulatory actions were needed in response to the Fukushima accident. And the NRC's committed, professional efforts taken in response to each of these events – the orders and rulemakings that came out of 9/11 and Fukushima and the work we've done in the new reactor arena – have clearly illustrated the high-quality work of this agency.

But now is an inflection point in our agency's history and an opportunity to thoughtfully reflect upon where we have been and where we need to be in the future. To ask: How are we conducting our work? To ask: What adjustments, if any, need to be made to our structure, workforce, and regulatory processes given that the nuclear renaissance has not occurred as forecast, that 9/11- and Fukushima-related activities are nearing completion, and that several existing power plants are decommissioning earlier than anticipated?

This is the backdrop for the Project Aim initiative, which I believe is a real opportunity to take a fresh look at how we operate and see where we can gain efficiencies. I applaud Mike Weber's Project Aim team for producing an insightful, strategic report. I will also observe that not many organizations get this kind of opportunity and of those that do, fewer still actually take advantage of them. I am actually excited and have great hope that this agency will take advantage of this opportunity and be guided by the principles of good regulation to move forward constructively.

Now some of you may be wondering, can a government agency really be efficient? Perhaps it is a time for a joke:

Once upon a time the government had a vast scrap yard in the middle of a desert. The government said, "Someone may steal from it at night." So they created a night watchman position and hired a person for the job.

Then government said, "How does the watchman do his job without instruction?" So they created a planning department and hired two people, one person to write the instructions, and one person to do time studies.

Then government said, "How will we know the night watchman is doing the tasks correctly?" So they created a Quality Control Department and hired two people: one to do the studies and one to write the reports.

Then government said, "How are these people going to get paid?" So they created two more positions, a time keeper and a payroll officer, then hired two people.

Then government said, "Who will be accountable for all of these people?" So they created an administrative section and hired three people, an administrative officer, assistant administrative officer, and a legal secretary.

Then government said, “We have had this command in operation for one year and we are \$18,000 over budget, we must cut back overall cost.” So they laid off the night watchman.

Government efficiency in action, right? Fortunately, this type of behavior is not what I saw in my time with the Department of Defense or Department of Energy, and is certainly not what I have seen at the NRC. And rest assured, no matter how the Commission votes on the Project Aim recommendations, this agency will continue to improve on its already strong performance.

Why am I so confident about this? Because I have seen the great work this agency and its talented staff can do when we have an eye toward efficiency. I would like to use my remaining time to walk through some of these examples. From my service on six submarines, I can attest to the value in having positive role models to follow when teaching others, whether training a new ensign how to direct propulsion plant casualty actions by his watch section using the 2MC Engineering Announcing System, how to conduct a smart landing alongside a pier without assistance from a tug, or how to effectively conduct a torpedo attack. Seeing others do something well is a good starting point for teaching/actualizing change.

Fortunately, the NRC has a number of positive models to offer to help us improve efficiency. The Project Aim report categorized its recommendations into three strategic categories: people, planning and process. For symmetry, I will use those same categories to discuss efficiency in action. These examples show that when we start with the end in mind, establish clear direction and priorities, and are flexible to change, we regulate in an efficient and effective manner.

The first example of a people strategy I will point to is the agency’s ability to reallocate resources in response to changing priorities and workload. Last fall, the Commission approved the staff’s recommendation to merge the Office of Nuclear Materials Safety and Safeguards, NMSS, and the Office of Federal and State Materials and Environmental Management Programs back into one office. In making this recommendation, the staff recognized that the increased workload that drove the split of NMSS into two offices no longer existed and that there was some duplication of effort between the offices. The merger back into one office gained efficiencies by eliminating unnecessary duplication and reducing overhead. I thank Cathy Haney and Brian Holian along with their teams for achieving this successful, efficient merger.

Likewise, efficiencies were seen when the Office of New Reactors, or NRO, shifted personnel to the Office of Nuclear Reactor Regulation, or NRR, given changes in workflow and priorities.

When I was sworn in as a Commissioner April 1, 2010, the NRC was reviewing license applications for 26 reactors. Since that time, we have completed several significant new reactor projects, including the AP1000 design certification amendment, the issuance of four combined licenses for the Vogtle and Summer sites, work on the ABWR design certification amendment, and establishment of the Construction Reactor Inspection Program.

But with this work completed and with changing plans of new reactor prospective licensees, our new reactor workload has significantly decreased. At the same time, there was a need to address several high priority activities in NRR, including the operating reactor licensing action backlog and post-Fukushima activities. In response, we moved resources from NRO to support these efforts, while not losing sight of ongoing new reactor priorities. For example, NRO and their partner offices achieved a significant milestone last year as part of the “safe closure” initiative by completing the ESBWR design certification and the final safety evaluation for the Fermi Unit 3 combined license.

This is a good news story, and I applaud Glenn Tracy and the NRO team for their agility and flexibility in responding to changing new reactor plans and schedules, and for their support of agency priorities including support of Fukushima and waste confidence activities. We have demonstrated that we can work together efficiently to make sure the most important work gets done first.

I will now turn to the second Project Aim Strategy: Planning – in short, how have we demonstrated the ability to efficiently plan our work? While there are many examples to choose from, I will offer only two here: the update to our waste confidence or continued storage rule, completed last August, and the completion of the last Yucca Mountain Safety Evaluation Report volumes in January of this year.

In 2012, the D.C. Circuit court vacated and remanded the agency’s waste confidence rule. The Commission gave the staff clear direction: Address the specific deficiencies identified by the Court, use the best NEPA practitioners in the agency and bring back an updated rule to the Commission in 24 months. Keith McConnell and his team, along with dedicated support by our Office of the General Counsel, did just that. Throughout the process, the staff was committed to effective and timely communication, both with the public and with NRC management. This helped ensure that schedules were met, documents were responsive to concerns raised, and internal and external meetings were effective. At both an individual and agency level, we focused on the principle of efficiency to accomplish our important mission without undue delay.

The second example of demonstrated planning ability is the staff’s efforts in the Yucca Mountain Safety Evaluation Report. The staff was tasked by the Commission to complete and issue several volumes of a safety evaluation report associated with the Yucca Mountain construction authorization application. This was a monumental effort. Many of those with expertise on the safety evaluation report had left the agency or had been tasked with other assignments. There was a considerable amount of reorganizing and reprioritizing that went along with this effort to ensure that the right people with the right skills were on board to accomplish the mission.

And of course, the Yucca Mountain Safety Evaluation Report involved highly technical and complex issues. The staff developed a plan of attack, and executed that plan in such a way that the safety evaluation report volumes were completed on time and under budget while the primary mission – reaching safety findings – was achieved.

I point out at this time that we must always remember the power of good leadership. Good leadership inspires people and creates its own efficiencies. The Yucca Mountain efforts show how important good management and leadership are to achieving efficiencies. Josie Piccone headed the staff's efforts in completing the Yucca Mountain safety evaluation report.

Josie's clear dedication and tireless work ethic led by example, and with the hard work of talented staff, resulted in efficient and effective regulatory action.

The third and final Project Aim strategy I'll talk about is process. In short, how can we streamline or standardize our processes, roles and responsibilities? I offer two examples from the rulemaking arena: NSIR's cybersecurity rulemaking and the post-Fukushima mitigating strategies rulemaking.

Now some might wonder why I would mention our cyber security rulemaking as an example of efficiency, given that the NRC's rule (10 CFR 73.54) came out in 2009 and the NRC just endorsed revised guidance in December 2014. But it is important to remember that efficiency is not only about being fast; it is also about making risk-informed licensing decisions to help ensure that regulatory burden is commensurate with the risk.

In 2009, the NRC put in place cyber security requirements for power reactors. Nuclear power plant cyber security programs are required to protect "critical digital assets" or CDAs. In January 2010, the NRC published a Regulatory Guide (RG 5.71) that provided guidance to licensees on an acceptable way to meet the requirements of 10 CFR 73.54. This Reg Guide contains guidance on how to identify CDAs, among other things.

As industry began implementing the rule, it became evident that there was much more work involved than originally envisioned. Instead of hundreds of CDAs, plants were identifying thousands. The staff – and I commend Barry Westreich and Russ Felts here – took a step back and worked with stakeholders to adjust the approach to focus on the most important CDAs. What resulted is a "consequence-based approach." This approach is consistent with our efficiency principle whereby regulatory activities should be consistent with the degree of risk reduction they achieve.

The NRC staff engaged with industry to develop NEI-13-10 to implement the consequence-based approach. NEI-13-10 was endorsed by the NRC in January of last year. By streamlining the process for addressing CDAs, the approach reduces the burden on licensees, while continuing to ensure that the adequate protection criteria of 10 CFR 73.54 are met.

Revised guidance, which included templates to improve efficiency and consistent implementation, was endorsed by the NRC in December 2014.

One final "process" example is the area of post-Fukushima regulatory actions. The staff, in concert with industry, has consolidated many of the post-Fukushima requirements into one effort called the "Mitigation of Beyond Design Basis Events" rulemaking. The scope of this rulemaking now

includes NTTF Recommendation 4 regarding Station Blackout Mitigation, NTTF Recommendation 7 regarding Spent Fuel Pools, Recommendation 8 regarding Onsite Emergency Response Capabilities and Recommendations 9, 10 and 11, regarding Emergency Preparedness. Consolidating these rulemakings will produce a more coherent framework and reduce the potential for inconsistencies between the related regulatory actions.

Consolidation also adds clarity for external stakeholders as they will be able to comment on a single rulemaking package. This consolidation was an efficient way to move forward given the number of interdependent and interrelated safety issues involved.

Going forward, these efforts can be looked to as an example of how the NRC adapts to changes and stakeholder feedback, and tailors its regulatory response accordingly, while maintaining a risk-informed focus.

I will now conclude.

We regulate in a field where not everyone is going to be happy with the decisions we make. Some might want us to do more; some less. And let's face it: Some might not want us around at all. But we are here and here to stay. We owe it to the public we serve as well as the industry we regulate to come to our decisions in an efficient and effective manner.

The good news is that we do not need any new agency values or different principles of regulation to guide us into the future. We already have them in place. We also are fortunate to have a number of positive examples of how to operate efficiently to guide the broader agency as we move forward to implement Project Aim.

I have great confidence that the NRC team is up to the challenge! Thank you both for the opportunity to speak today and for your kind attention.