



West Cumbria Sites Stakeholder Group

Meeting of the 6th Commercial Sub Committee Held on December 14th 2010 At Cleator Moor Civic Hall

Attendees:-

Mike Davidson	-	Allerdale Borough Council
Ranald Stewart	-	Ponsonby Parish Council
Ian Lowles	-	Environment Agency
Ian Tait	-	Nuclear Installations Inspectorate (NII)
Alison Armett	-	Nuclear Decommissioning Authority (NDA)
Rupert Wilcox-Baker	-	International Nuclear Services (INS)
Peter Buchan	-	International Nuclear Services (INS)
Roger Denwood	-	GMB
Iain Irving	-	Sellafield Ltd
Ian Gordon	-	Sellafield Ltd
Karl Connor	-	Sellafield Ltd

Apologies:-

David Moore	-	Chairman, WCSSG
Elaine Woodburn	-	Copeland Borough Council
David Southward	-	Cumbria County Council

Observers:-

Martin Forwood	-	CORE
----------------	---	------

Agenda item 1: - introduction by Mike Davidson, Chair of WCSSG Commercial Sub Committee

The Chairman opened the meeting before handing over to the vice chair as he was suffering from a heavy cold.

Agenda item 2: Approval of Minutes and Actions from previous meetings

The minutes of the previous meeting held on 8th June 2010 were accepted.

There were two actions from the previous meeting and both had been completed prior to this meeting:

Action 1: John Butler to provide details on the tonnes equivalent compared with canisters for the increased incorporation rates from 9teU to 12teU.



West Cumbria Sites Stakeholder Group

Response to Action: Magnox waste can be incorporated up to 32% which results in around 10-12te Uranium per container. Thorp and Magnox waste (blended) can be incorporated up to 28% resulting in 4-5te Uranium per container. These incorporation rates have been demonstrated to produce vitrified residue acceptable for handling and interim storage at Sellafield and of course, permanent disposal in the Geological Disposal Facility. The plant has not been adversely impacted by this increase in incorporation rates and the corresponding reduction in total container output will have a positive impact on future handling and disposal requirements.

Action: Ali McKibbin to provide the uranium fuel cycle diagram to Ian Tait.

Response to Action:

Uranium fuel cycle diagram sent to Ian Tait on 29 June 2010.

Agenda item 3 – A tripartite presentation from NDA, NMP and Sellafield Ltd on the commercial relationship between the three organisations, to include site updates.

Alison Armett (NDA) and Iain Irving (SL/NMP) gave a long presentation on the commercial relationship between the organisations. Topics covered include revenue generation, fee earned and potential for new missions.

Alison told the meeting that NDA gets an annual settlement from the government, and has to make that up from our commercial operations.

The split is roughly a two thirds/one third split, with the figures available in the draft budget for 2011/12 (£2.9bn of money to pay for work done across the NDA estate, of which £2.02bn is from grants and an estimated £867million is from income streams, which of course can be variable).

She also explained the two mechanisms for payment of fee from NDA to NMP, these are performance based incentives (PBIs) and efficiency savings.

PBIs work by NDA paying x number of pounds if certain goals are achieved. There is also fee available for efficiency savings.

The contract is structured that in the early years NMP earns a smaller amount of fee from efficiency savings and then, as the changes that they have brought in on the site start to kick in, NDA drop off the PBI fee and fee is earned purely from efficiency.

Alison explained that PBI fee has been used for the first two years of the contract, and 2011/12 will be the last year of PBI based fee, after that all of the fee will be linked to efficiencies for the remainder of the contract term, which runs until March 2014.

She said that NDA were still in the process of the setting fee and agreeing milestones for the next two years and that these will be carefully structured so as not to enable



West Cumbria Sites Stakeholder Group

anyone to drive efficiency at the expense of some of the longer term goals of the NDA.

Efficiency fee milestones will be set against achievements that are important to NDA and government.

Roger Denwood (GMB) expressed concern that the company had let a large number of people leave on voluntary terms without having proper replacement plans in place.

Iain Irving (SL/NMP) explained that the company did have a plan in place and that people had been assessed before their release. He said that while it was always difficult to lose any people it was important that the company made itself better equipped to deliver the NDA mission. He said that SL would continue to work with colleagues in the Unions to address any concerns going forward.

Iain then spoke reach back, which he said was a process that had been a key part of NMP's bid, as it sees experts from a variety of different backgrounds across the family of companies that make up NMP coming to Sellafield to share their experiences and help on key projects.

He also spoke at length about the performance Sellafield Ltd's key plants, reporting that Thorp was well ahead of schedule and that safety across the site was steadily improving.

Iain said that the site had gone over 6 million man hours without a lost time accident, which was by far the longest since records began, but that the company was committed to working to improve on safety, as one accident is one too many.

Agenda item 4 – Presentation on SMP

Ian Gordon, Sellafield Ltd's Head of Japanese Fuel Programme, spoke about the work going on in SMP on the new contract between NDA/INS and ten Japanese utilities, for Mox fuel to be manufactured at SMP.

It was announced at the last WCSSG Commercial Sub Committee Meeting that the deal had been agreed, securing the future of the plant.

Ian spoke about continuing improvements in SMP production, which is being regularly monitored by the Japanese, and about the work going on to refurbish the plant and introduce a new rod line, which will be capable of meeting Japanese demand for Mox fuel under the terms of the contract.

Agenda item 5 – Potential agenda items for next meeting

The new, shorter meeting was deemed a success in part – although the feeling was that the cutting back of the agenda had perhaps gone too far and that a meeting somewhere between the length of this one and the length of previous ones might be more suitable.



West Cumbria Sites Stakeholder Group

The vice chairman concluded the meeting and thanked everyone for their attendance.

Questions asked:

RS: On the treasury grant, is that committed for one year or more?

AA: We are part of the comprehensive spending review cycle, so under CSR 07 we were given a three year view, but government can choose to alter that amount annually. Under CSR 10 we have a now four year view, with the same caveat.

RS: So much under the commercial is dependent on so many different factors that it is a bit of a difficult one to budget for?

AA: It is, and that is one of the challenges we face in-year when we are looking at prioritisation of spend. If the site licence companies are doing well on the sites they can come to us and say 'if you give us a bit more money we can accelerate this bit of work and we have to take a view part way through the year as to how the income will land for the rest of the year. We forecast but it would just take one of the generating sites to go down and that would impact on everything.

RS: Can you give an estimate how long the existing generators will go on for.

PB: Two operating systems on the Magnox site, the last one is due to close in round about 2013. Of that £867 million the greater proportion is not from electricity generation but is from Sellafield, from things like reprocessing, and Mox.

The money we get from British Energy comes from things like reprocessing activities. British Energy keeps the money they make from energy generation.

RS: Are you able to give a timescale at the present rate the high hazard could be reduced?

II: What we are looking towards now is our draft proposals which we have sent to NII, those dates are, roughly, in the next 10 to 15 years for the beginning of retrievals.

IT: When is it all going to go – its important that the dates they give us are underpinned, we don't want dates plucked out of the sky. There will be waste there for a decade or more.

II: I will be looking to come back once those dates are confirmed.

MD: Are you looking to remove the buildings or just empty the ponds and silos.

II: Eventually we will look to demolish the buildings, and we will be setting dates for that, although obviously the more long term aspects of the work programme the more tenuous the dates may be because of the number of variables that may arise in the future.



West Cumbria Sites Stakeholder Group

MD: When I left around ten years ago the paper work that was associated with completing a simple mechanical job was such that the workers were being deskilled; there was much less opportunity for people to use their skills to because they had to follow such stringent instructions. Is that still the case?

Il: I can't say that it isn't – because we are not there yet. I wouldn't claim that we are where we need to be, but we are streamlining the top level procedures and improving conduct of operations, peer to peer and generally more practical ways of keeping the job safe, and therefore, getting away from the paper work padding.

RS: Who pays for reachback?

Il: Sellafield Ltd pays through the Sellafield contract, from the overall budget. We don't earn fee from these guys, but they come over and provide a service. It's about sharing experience which will help us in our operations in the future.

MD: The downside that one hears on the street is that it is very much a two way street and there is an outflow of information as well as an inflow of information, and the perception is that more hat

Il: There is a wide range of opinion, and it's an emotive issue sadly, but I don't think what anyone can disagree with is the principle of reachback, you know, we have some huge companies with years of experience and world class expertise that make up our organisation, so why not tap into that knowledge and see how we can use it to improve our operations. There are all kinds of stories out there about the process, some have some basis, but frankly most have no basis whatsoever. Clearly people are coming over and imparting their knowledge, but there is no IPR going out or security issues. Frankly we'd like to send more Sellafield people in the other direction going forward because that will enhance the sharing. Yes they are over and they are here on ex-pat packages, and yes ex-pat packages can be good, but you'd expect that if you were moving to work in another country.

Unknown: Is it true that other Areva and the other companies that make up NMP are able to get work more easily because they are part of the parent body?

Il: No, there are very strict rules in place to ensure that they are neither assisted nor penalised for being part of NMP, because as important as it is that we show them no favouritism, they shouldn't be disadvantaged either. Areva and Amec both have work in their own right as contractors for Sellafield Ltd and we recognise that, and, as I say, strict controls are in place to manage those contracts in the same way we manage any others on site.

MF: On the sheet on the commercial income, under Sellafield, Thorp and Mox reprocessing; can we say what quantity of Mox fuel there is to be reprocessed and does Thorp need refiguring in any way to be able to reprocess Mox fuel?

PB: WE do have some contracts to reprocess Mox fuel, don't know the quantity off the top of my head. I'll need to check those. We do have some. I will bring an action



West Cumbria Sites Stakeholder Group

back to answer that at the next meeting. I don't believe Thorp needs to be reconfigured but there are some technical adjustments that will need to be made in order to reprocess that fuel.

MF: On this Thorp sheet, what is OFSG

II: Oxide fuel storage group, it's all about flask moves in the fuel handling plant.

MF: And underneath the NTL fuel? Is that submarine fuel?

II: It is yes, the military fuel.

MD: I understand the energy act requires NDA to maximise the use of its assets, how does that affect future plans for Thorp, does that mean the NDA has an obligation to look towards the future and to look at further reprocessing or does the obligation to decommission over-ride the obligation to maximise the use.

AA: Current strategy is to see out the current reprocessing contracts. But we do have an obligation as you say to maximise our commercial operations as well. Perhaps INS would have a view on that.

PB: We have existing contracts, the intention is to deliver those contracts, and the draft strategy that was published recently had a view to run to around 2020. The strategy also says that if there are other opportunities we would be at liberty to explore them to see if Sellafield would be at liberty to deliver against whatever those opportunities are, also the Energy Act says that any new reprocessing business would be subject to agreement from the government and consultation. In summary we need to deliver what we've got, we can look at new business, but it would have to pay for itself and it would still be subject to government agreement.

RS: Does the contract with the Japanese (for SMP) give the opportunity to increase commercial revenue in future years:

IG: It does yes. There is a large quantity of Japanese fuel at Sellafield which needs to be reprocessed, what this is doing (the new rod line) is enhancing that capability because clearly if you manufacture it into mox fuel the revenues would be there.

MF: If the intention is to concentrate on Japanese mox business what happens to the previous European contract? I know some have been sub-contracted but does this mean that all European contracts have been subcontracted.

PB: The majority of the orders from Europe have been sub-contracted now.

MF: In terms of the residues, pellets and so on from past campaigns, what happens to those, how do you get them back into a condition where you can re-use them possibly for a Japanese customer?



West Cumbria Sites Stakeholder Group

IG: Some of that material is sent back through the re-cycling process in SMP. It's a process of crushing, it doesn't go outside of SMP.

MF: Can you say what kind of quantities we have?

IG: I will take that as an action, although it may not be possible to answer that from a security perspective.

MF: Is there any possibility at all that those materials could be shipped to France for further use or will they always stay at Sellafield.

IG: Hypothetically you could do it; whether you would choose to do it is another matter. It's an unlikely scenario.

RWB: We have no plans to do that.

MF: Can you say when SMP will start on its first trail for the Japanese?

IG: We anticipate starting first production some time in 2012, there is an amount of work to do before that in terms of the new rod line etc, before that date there will be smaller quantities of trail production.

MD: Given the resurgence in the world on reactor building and power generating and the demands there are going to be on the world's uranium resources, has there been any negation between new build consortia in the UK and Mox representatives in terms of the fuel that may or may not be used.

PB: I think its too early to say at the moment, there are certain things that have to come first. New build would have to go through licensing and the government has to decide what it wants to do with its plutonium stocks.

ACTIONS:

1. Peter Buchan to provide answer for Martin Forwood to a question on the amount of Mox fuel to be reprocessed in Thorp.
2. Ian Gordon to look to provide an answer for Martin Forwood as to the quantity of Mox fuel recycled through SMP.

