

**Nuclear Decommissioning Authority
Report to the WCSSG
2nd April 2009**

Sellafield Programme Team

Introduction

Today's meeting of the Site Stakeholder Group is the first since the transfer of shares from British Nuclear Fuels Ltd to Nuclear Management Partners (NMP).

Share transfer took place on November 24th, 2008, and marked the successful conclusion of a two year process to find a new Parent Body Organisation for Sellafield Ltd.

It is perhaps appropriate to commend all involved for bringing a complex competitive process to a successful conclusion within the agreed timescales.

A Partnering Charter has been signed by the NDA, NMP and Sellafield Ltd. that sets out the key principles in relationships going forward.

The vision is to achieve "world-class performance by delivering shared objectives through partnering, mutual support, trust and respect."

Collaborative arrangements in areas such as stakeholder communications and socio-economic activity are being developed to reflect the principles of the charter.

Departmental Strategic Objective (DSO) Targets

As outlined in the October report to SSG, the site is performing well against DSO targets agreed with BERR.

(Please see Appendix 1 for DSO target delivery status).

Project Delivery Improvement Programme

The PDIP has been suspended whilst the site's PAIS programme is being progressed as it covers improvement initiatives. The PAIS (Partner, Assess, Innovate, Sustain) process involves combining site expertise with subject experts from NMP's constituent companies in a number of teams to examine specific aspects of the business.

These teams have completed the assessment phase of their work and the innovation phase, which will see the production of a number of improvement recommendations, is now underway. It is expected that the PAIS implementation plan will supercede the PDIP.

Major Projects Progress

An official update on the REF project will be released in April.

The Evaporator D Project's design phase achieved detailed design status (FEL 3) in Autumn 2008. Regulator approval of the associated safety case (PCSR) was granted at the same time. Additional funding of £50m to support the continued delivery of the project was agreed in January 2009 and a full sanction request to the NDA is expected in April.

This funding will enable the Evaporator D Project to start physical on-site works, namely the foundation for the new facility, to commence placement of contracts with the supply chain for material provision and fabrication of the plant equipment and to continue with detailed design.

Evaporative capacity is one of the issues being studied by the new site management team through the PAIS process and recommendations are expected shortly.

There has been good construction progress on the Encapsulated Product Store 3 (EPS3) site. Base slabs have been poured and construction of the walls is nearing completion. Manufacture of other associated plant and equipment has also begun.

There has also been some encouraging work on projects within the Legacy Ponds & Silos area, including:

- Good progress on commissioning the effluent treatment plant within Storage Pond 1
- Continuation of the refurbishment of the pond steelwork in the Magnox Storage Pond and Decanning Facility
- Satisfactory progress on design work at the Solid Waste Storage Silo, with start of construction being anticipated for the next financial year

However, a technical resolution is required on a number of issues relating to the Solid Waste Storage Facility.

Operational Progress

Highly Active Liquor Stocks

Highly active liquor continues to be processed and stock levels remain well below the requirements set by the Regulator.

The vitrification lines 1 and 2 have completed significant outage programmes this year, allowing continued operation to support the high hazard reduction strategy. Vitrification Line 3 is currently in outage following an event associated with shield door hydraulics. Planned restart is May 2009.

Evaporative capacity

Evaporator A is available to be brought back into service as required to support up stream plant demands. It has undergone significant engineering modifications and a Licence Instrument allowing its restart was issued on 31 March 2008.

Evaporator B has been out of operation since 2004. Following significant engineering modifications, the evaporator has now been returned to service supporting the Magnox stream.

Evaporator C is currently supporting Thorp operations.

Magnox reprocessing

De-canning is slightly behind schedule but over 490 te of fuel has been reprocessed. Flask receipts have been catered for from all the Magnox sites but there was an issue involving a Magnox flask arriving at Wylfa with a loose lid bolt. Limited flask moves have taken place this period due to development of new operating procedures and embedding them within the teams at Sellafield and the reactor sites.

Floc retrieval from the Sludge Storage tanks

The plant is currently in a planned outage. The re-suspension of historic floc from the next sludge tank is planned to commence May 2009.

Annual Site Funding Limit & Business Plan consultation

LTP10 Build and Scrub

The SLC and NDA are working together to define integrated programmes of work. These programmes will show clear alignment with the NDA's strategic themes and objectives and this programme structure may also influence the SLC's organisational alignment.

LTP10 will be built into these integrated programmes of work.

Definition around the joint SLC/NDA LTP10 Build and Scrub project is progressing well.

The scrub will focus on six key areas for each of the programmes: scope, safety, security and environmental impact, risk/uncertainty, deliverability/execution, schedule and cost.

The joint SLC/NDA team is developing a schedule for this work, which we will share at our next engagement.

NDA Strategy Review

Significant progress has been made in producing the Sellafield Site Strategic Specification. This document, which in essence acts as the NDA's Client specification for Sellafield Ltd:

- defines the NDA topic strategic objectives and assumptions to ensure delivery of the NDA Mission;
- sets out the reference strategies against which the SLC is to build its Lifetime Plan; and
- includes alternative strategic options (opportunities or contingencies), which may be required to ensure effective and efficient delivery of the national objectives.

The Site Strategic Specification will be an essential component of the Lifetime Plan Scrub project, which will be undertaken during 2009/10 financial year, in that the programmes being defined by the SLC must ultimately align with the reference strategies defined in the 'Specification'.

Throughout 2009/10, the content of the Site Strategic Specification will be shared with members of the WCSSG, with appropriate focus on those topics/areas that are demonstrated to have most relevance to the members of the WCSSG. A road map outlining the engagement process will be produced in due course.

An initial programme of consultation on each of the NDA's topic strategy areas (which correspond to each of the strategic objectives) is already available on the NDA website. The results of these consultations as they take place will influence the NDA's 2011 Strategy and, where changes are made, they will be reflected in appropriate changes to the Site Strategic Specification and thus the SLC's Lifetime Plan.

This consultation process will become the primary route for stakeholders to influence the content of the Sellafield Lifetime Plan.

Land Sale

The Sellafield land sale project has not yet commenced. Current land disposals include land at Wylfa in Anglesey, Bradwell in Essex and Oldbury in Gloucestershire.

However, following the current process, the NDA will evaluate the future schedule for any disposal of land at Sellafield. A number of activities are currently helping ensure a market for the land. This includes:

- West Lakes Renaissance work on Energy Coast, which is making the Sellafield area more attractive;
- West Lakes Renaissance work with National Grid to help ensure connectivity for power generation projects;
- Expressions of Interest from interested parties in March 08 that covered Sellafield as well as land currently being sold;
- NDA general awareness and discussions with parties about Sellafield land;
- NDA nomination of land adjacent to Sellafield into the Strategic Siting Assessment.

The NDA, as part of its mission, aims to maximise the return on its commercial assets where appropriate. Any such monies raised through asset sales will be retained by the NDA to support its mission.

Low Level Waste Repository Programme Team

Background

In March 2008, following an 18 month competition process, NDA awarded a contract to UK Nuclear Waste Management (UKNWM) for the Management and Operations, (M&O), of LLWR. This is a maximum 17 years contract expected to be of value between £200m-£500m. Following significant effort, UKNWM's commercial due diligence exercise completed mid May 2008 with the "Hold Harmless" period, (i.e. NDA's period of liability) being formally relinquished. Work then began on the development of Lifetime Plan 2008 Rev. B which captures bid commitments (scope, schedule and cost), balanced against NDA funding guidance. This plan was submitted to NDA on 29th August 2008 and conditional acceptance status was granted on 30th September. This included caveats and the need to address several corrective actions, (typically re-addressing risk and contingency values, improving project management discipline across Site Support areas).

Extensive Review Programme

As the first of the NDA sites to be competed, the LLWR competition has rightly attracted significant levels of internal and external scrutiny over the last 18 months. This period covered the pre-contract award activities when the Joint Transition Steering Group, (NDA, the regulators and the incoming and outgoing Site Licence Companies, (SLCs), planned for a smooth transition to the M&O contract. Reviews undertaken comprise:

- Office of Government and Commerce x 3 reviews
- Independent competition reviews by Partnership UK (PUK) and Project Review Group, (MPRG) reviews
- Independent Cost Evaluation (ICE) Review
- NDA Independent Cost Evaluation (NICE) Review
- National Audit Office (NAO) Review of the competition process
- A comprehensive Site Facing Team (SFT) internal review of the LTP08 Rev B submission
- Major Project Reviews x 4 – for Vault 9 and the Environmental Safety Case
- Maturity Review
- Internal Audit
- Independent Contract Effectiveness Review – undertaken by PUK
- Independent QS Assessment of LTP08 Rev B – undertaken by Montgomery Watson Hauser (MWH)

The primary purpose of the above reviews has been to build confidence in UKNWM's early performance against the new M&O contract and to satisfy internal and external stakeholders that the contract is in fact delivering in line with its original intent - thus maximising the potential to deliver the benefits mapped out in the LLWR Competition Business Case. The reviews have also been utilised to test and ensure that the

appropriate organisation structure and levels of project discipline are in place commensurate with the strategic importance of the LLWR contract.

In summary, the reviews have recognised the very positive progress made by the SLC since award of contract, acknowledged that the site is poised to deliver in line with agreed plans whilst also recognising the significant challenges ahead. Each level of review has added benefit to the LLWR programme of works and the wider NDA competition programme. Findings and recommendations have helped focus effort on addressing perceived shortfalls and the implementation of improvement actions.

Execution Year Performance Highlights:

Notable points of interest concerning SLC performance in the first year of the new M&O contract include:

Safety: The site has now attained in excess of 1,250,000 hours (167,000 man days) without a Lost Time Accident.

Implementation of LTP08 Rev B: This captures bid commitments including £144m worth of savings across the LLWR SLC portfolio of work (typically the need for less vaults, operational efficiencies, and capping and closure efficiencies). This plan includes a 5 year baseline against which UKNWM's performance and ability to earn fee will be judged. This is a first for NDA sites where programmes are normally re-baselined on a yearly basis.

Enhanced Stakeholder Relations: There is strong evidence that excellent relationships are being established with the Regulators, Planning Authorities, Drigg and Carleton Parish Council, LLW Site Stakeholder Group Sub Committee and the local community. This was a particular strength of the UKNWM consortium that was noted and tested during the LLWR competition tender evaluation period. The stakeholder community's commitment and significant efforts in this area is very much recognised and appreciated.

Enhanced Organisational Capability: Not only for site operations on a day-to-day basis but to also deliver national solutions across the NDA estate as part of a wider contractual remit. Reach-back of staff from the Parent Body Organisations is being used to plug short-term capability gaps whilst in parallel long term solutions are being developed and implemented. A Consignor Support Team has also been set up to work with consignor sites with a view of implementing LLW innovations in due course across the estate.

Development of Partnering Principles between NDA and the SLC: Partnering principles are seen as key to overall success of this contract. Concerted efforts have been and continue to be made to ensure that both NDA and UKNWM vested interests are satisfied. Several examples where partnering arrangements have been successfully tested include resolution of a funding challenge across the first three years of the contract and implementation of a different format pay deal for the workforce.

Vault 9: Following last minute withdrawal of the original preferred bidders tender offer early summer 2008, the contract was eventually awarded to Birse Nuclear in July. Excellent progress has been made both in terms of construction activities and implementation of the associated traffic management plan. NDA had made a

commitment to the local community back in 2005 that efforts would be made to maximise delivery of construction materials to the site by rail. This is being achieved with statistics in excess of 90% being realised. Despite a poor winter, the vault remains largely on schedule and will be available for first receipt of waste in May 09 and for completion in November this year. Vault 8 is not due to be full until August hence, there will be a sustained operations capability without the need to invoke any further mitigation actions. The first of two £5m payments for the Copeland Community Interest was paid out at 13 November. Payment was triggered by Commencement of Development of Vault 9. This is the culmination of a huge amount of work by NDA and the planning authorities.

Environmental Safety Case – the ESC project, formerly the Post Closure Safety Case, is at last in good shape. This is the mechanism which will secure longevity of the LLWR site. Monthly meetings with the SLC, EA and NDA continue to work well and are paying dividends. All Schedule 9 deliverables have been delivered on time to date including the latest for Requirement 2 on 01 May – this provided early sight of what the final ESC will comprise. Feedback on this submission from EA in December 2008 has been very positive. Submission of the Safety Case remains on schedule for May 2011.

Operations: The SLC has had a good year in terms of operational performance. Project management discipline is being introduced across this area of work which will augur well for future PCM facility POCO and decommissioning work. Significant volumes of Hex Cylinders and Drums have also been disposed into Vault 8 some 12 months ahead of programme which is a feat that the SLC can feel duly proud of.

Strategy Development: NDA and the UKNWM team jointly continue to make steady progress regarding development of the National LLW Strategy using the Low Level Waste Strategy Group as the vehicle to maintain industry support. Several key strategic deliverables have been accepted in year, typically the Final Operational Strategy, the LLW Strategic Review Document, the LLW Management Plan and the Waste Management Outline Business Case. These are significant pieces of work that move LLWR in the right direction to deliver the step change in M&O performance in line with the policy agreed by government in April 2007. The plan is for the NDA to issue the LLW Strategy for public consultation early FY09/10 with a view of obtaining government approval in Q4.

Development of Alternative Remuneration Tasks (ARTs): One of the aspirations of the new M&O contract is to move from cost reimbursable contracts to something more akin to fixed/target costs arrangements where appropriate with demonstrable value for money. This provides NDA with cost certainty whilst providing UKNWM with the ability to earn more fee by taking more commercial risk (obviously without the degradation whatsoever of safety performance). NDA and UKNWM have successfully developed ART negotiation principles, procedures and governance arrangements. The intent is to progressively move to more favourable contractual models for both parties and indeed the UK tax payer.

Fee and Efficiency: The SLC have delivered to a high standard against targets agreed at the start of the year and look set to earn in excess of 90% of the fee available under the terms of the contract. Efficiency targets set by government as part of the Departmental Strategic Objectives have also been exceeded.

Looking Forward:

It is imperative that the SLC build upon the solid foundations established in FY2008/09 across the full LLWR portfolio including operations, projects and strategy work. Following a public consultation, FY09/10 will see further development of the National LLW Strategy with a view of securing government endorsement later this year/ early 2010.

The transition from strategic initiatives to implementation of viable on the ground solutions is a critical phase of work. A key enabler for implementation phase work will be development of a suitable pricing model that fully supports Waste Hierarchy principles. LLWR Ltd is leading this work but require input from NDA on an iterative basis for corporate governance purposes and to allow appropriate changes to be incorporated across the NDA estate. Early efforts will focus on waste management solutions concerning VLLW, combustible wastes and metal treatment solutions.

Given the support and desire of all key players there is every reason to believe that the SLC will build upon initial successes and further deliver in line with the LTP that is now in place. This has the capability to deliver savings in excess of £1bn across the NDA estate wide LTP for LLW management. Continued development of enduring relationships with stakeholders will clearly play an instrumental part in delivering overall mission success.

NDA Annual Report & Accounts 2007/2008

As reported to the last meeting, the NDA's Annual Report 2007/2008, published on July 17, 2008, reported significant progress against Government targets in respect of introducing competition, generating efficiencies and establishing a baseline estimate for the decommissioning of nuclear liabilities.

Examples included:

- The contract for the parent body of Low Level Waste Repository Limited being awarded on 31 March 2008 and the good progress in the competition for the parent body for Sellafield Limited;
- Average annual net efficiency savings exceeded the 2% annual target set for the CSR 2004 period (from 2005/06 to 2007/08). In 2007/08, £2,291 million of work was performed for a cost of £2,181 million, giving efficiencies of £110 million during the year.
- After three years of work, an underpinned baseline for the cost of the decommissioning and clean-up programme was established. The discounted nuclear liability is estimated at £40.7 billion, with a further £3.4 billion for the construction and lifetime costs of a deep geological disposal facility, the discounted total of £44.1 billion increasing from £37 billion last year. The undiscounted costs for the 130-year programme of decommissioning and clean-up are £63.5 billion, with the NDA's share of the undiscounted cost for construction and operation of the geological disposal facility £10.1 billion.

Further updates will be available on publication of the 2008/2009 Annual Report.

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