The NDA Operating Model
Guidance on the Roles of the Site Licence Company and the Parent Body Organisations

Nuclear Decommissioning Authority

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Introduction

This guidance is to clarify the respective roles and responsibilities of the principal parties of the "NDA Operating Model" for the ownership and operation of nuclear licensed sites owned by the Nuclear Decommissioning Authority. The potential for ambiguity or conflicted responsibilities arise from the separate, but overlapping duties in law of NDA (drawn from the Energy Act 2004) and the Site Licence Companies (SLCs) which are drawn from the Health, Safety, Environmental and other legislation and include the SLC's obligations as holder of a nuclear site licence and disposal authorisations.

The Government established the NDA to provide a strategic focus on decommissioning and cleanup and improve the effectiveness of operational activities such as nuclear fuel manufacture, radioactive waste treatment and spent fuel reprocessing. A cornerstone of NDA's strategy to deliver the Government's requirement for effective management of the nuclear legacy resulting from the UK's nuclear energy research and development and early power programmes, is to use competition to stimulate change and introduce innovation. **The guidance is summarised in the principles below and two pages of text which follow. Annexes 1 to 4 set out the detail of the roles of the SLC, PBO, NDA and regulators in the operating model.**

Key Principles

A. NDA is the enduring owner of the sites, assets and decommissioning liabilities on its estate. NDA contracts the operation and decommissioning of its sites to SLCs.
B. The sites are operated by SLCs who are enduring organisations with appropriate management systems and competence to operate the sites. SLCs carry the primary responsibility for safe and environmentally responsible operation of their site(s) and are closely regulated for the delivery of this.
C. Each SLC is a legal entity with its own Board of Directors with responsibilities and duties in law, including to ensure that the sites they operate under contract to NDA are operated safely at all times.
D. SLCs are owned by Parent Body Organisations (PBO), selected by the NDA through a competitive process who, through a combination of secondments, reach-back and consultancy, provide governance of the SLC and ensure that it is optimised to its decommissioning mission by the provision of expertise, innovation and change in accordance with their contract with, and bid commitments to the NDA.
E. NDA retains responsibilities to set overall strategy, allocate funding to SLCs from its agreed resources, sanction individual expenditure within its delegated authority, run competitions to select PBOs, and to account to Government for the assets, liabilities and expenditure on its estate. NDA sets the SLCs and PBOs some standardised reporting frameworks to ensure this.
F. All of the parties in the NDA model have responsibilities for safe operation of the nuclear licensed sites – all are legally users of the sites, though primary responsibility and accountability in law resides with the SLC. Under UK law all parties with safety responsibilities have a duty to co-operate with each other.

The key roles and relationships are summarised in the diagrams (Figures 1 and 2) on pages 17 and 18.

The NDA Operating Model

1. Prior to the Energy Act 2004, the UK nuclear industry associated with the civil nuclear legacy, namely those sites previously owned and operated by BNFL and the UKAEA, was not structured in a manner that enabled competition or other vehicles to scrutinise effectiveness or value to the UK taxpayer. Hence, a new structure was developed for those parts of the nuclear industry associated with decommissioning and cleanup which enabled effective competition while continuing to comply with requirements of the UK nuclear regulatory framework. The industry model developed to meet these requirements has three key components:

- a strategic authority (NDA) to be the enduring owner of the nuclear sites and associated assets and liabilities, administer and fund programmes of decommissioning work and to use a competition process as a vehicle to bring change and innovation to nuclear decommissioning activities
- a number of nuclear site operating companies (known as Site Licence Companies or SLCs) who operate the sites and hold the nuclear site licences and radioactive waste disposal permits or authorisations. SLCs must be Corporate Bodies in their own right[Ref1] and are the enduring operating organisations for the NDA sites. These requirements put stringent conditions on the makeup and competence of companies wishing to undertake these activities. The SLC's ownership is competed periodically by NDA to select
- Parent Body Organisations (PBO) who provide strategic, financial and change management to ensure the SLC is optimised to its decommissioning mission, innovation and technical backup for the period of the contract let by the NDA. The PBO operates by appointing a small number of secondees to the SLC to effectively provide the leadership and strategic direction and to improve the performance of the SLC and delivery of its objectives under the M&O contract

2. Given this structure it would not be possible to compete the operation of the site itself in any practical sense because it is unlikely that there would be other companies with an equivalent group of suitably qualified and experienced (SQEP) staff with the necessary skills, knowledge to directly take over the operation of the nuclear sites safely, securely and with due regard to the environment. Similarly, the NDA needs to have a stable and competent workforce to deliver its contracts for operation, decommissioning and cleanup of its sites. Taking these together, it is considered impractical to either replace the complete workforce on a site at regular intervals or to relicence / re-authorise the site to a wholly new organisation.

3. In recognition of this constraint, and enable competition as a platform to introduce and periodically refresh innovation, the PBO concept was developed as the vehicle to provide innovation, strategic direction and leadership to ensure the SLC is optimised to delivery of the decommissioning mission. The PBO will hold the shares of the SLC for the duration of the period set out in the Parent Body Agreement unless this is terminated early by either party. This is discussed further in Annexe 3.

4. NDA will run its competitions to select the PBO which offers the best mix of strategic management capability and innovation to the SLC and efficient solutions to meet the NDA's strategic requirements. Given the range of skills and attributes required of a potential PBO, a number of organisations may form consortia to fulfil this role and bid for ownership of the SLCs in NDA's competitions.

5. The key attributes that the NDA expects the SLC to have to support the Operating Model and the expected contribution of the Parent Body Organisation are included in Annexes 1 and 2 respectively. An outline of the NDA competition process is included in Annexe 3. These Annexes focus principally on the key functions and interactions of the various players as they affect the management of safety, security and environmental obligations. Figure 1 shows the SLC as the principal duty holder for operation of a

nuclear licensed site and Figure 2 sets out the overall NDA model showing key relationships between NDA, SLC, PBO and industry regulators.

References, Figures and Annexes

Reference 1. HSE guidance "The Licensing of Nuclear Installations"

Reference 2. NDA Guidance Note NSG 33 Rev 3 – User of the site / Intelligent Client.

Reference 3. NDA procedures FNP01 and FNP02

Reference 4. NDA Guidance Note NSG 35 – Guidance on Transition

Reference 5. NDA procedures PCP10 and PCP16

Note. This guidance note, Revision 4 of NSG 31, in conjunction of Revision 3 of NSG 33 (ref 2 above) replace earlier NDA guidance set on in documents referenced NSG 30, NSG 31 Rev2, NSG 32, NSG 33 Rev2 and NSG 34, which are consequently withdrawn.

Annex 1. Role, Key duties and Attributes of the Site Licence Company

1.1. The SLC is the legal entity responsible for the safe operation of one or more nuclear licensed sites. The SLC must be a corporate body with the necessary skills, knowledge and resources to satisfy the nuclear safety, security and environmental regulators that they are fit to hold a licence and radioactive waste disposal permit or authorisation. It must be the organisation in 'day to day control' or User of the site.[Ref2] The SLC must also have the skills and resources to be an Intelligent Client for services provided by others to help them operate the site. While the SLC need not themselves hold transport approvals, it usually does. However, if the SLC transports or causes the transport of radioactive material, the Transport Regulator must be satisfied as to the adequacy and efficacy of its management systems.

1.2. Underpinning its day to day control of the site, the SLC staff (including those on secondment from the PBO) who carry out safety, security or environmental activities must be suitably qualified and experienced. The SLC is legally accountable for safety, security and environmental performance. This includes determining its organisational structure and compliance arrangements and ensuring the numbers, type and competence of staff needed to deliver its safety, security and environmental obligations. The SLC management determines how safety, security and environmental performance are delivered. The SLC Board is responsible for ensuring that activities on the site are carried out safely, securely and with due regard to the environment to ensure, as a minimum, compliance with the law.

1.3. As principal User of the site(s) it operates on NDA's behalf, the SLC has the primary responsibility to ensure that these site(s) are adequately safe at all times. Where safety, security or environmental issues arise it is within the obligation and discretion of the SLC to ensure and manage resolution of these. For urgent emergent work, i.e. not covered in the Lifetime Plan, the SLC will carry out that work and recover costs from the PBO or NDA as appropriate. For non urgent activities or other routine requirements the SLC must ensure that work is programmed in the Lifetime Plan and sanctioned under normal arrangements. If the SLC believes that these arrangements do not allow it the flexibility to meet its legal obligations to operate the site safely, securely and in accord with its environmental responsibilities it must discuss this with NDA.

1.4. Should an emergency arise at a site it is the responsibility of the SLC to initiate and progress any actions that are required to protect its staff and the public. It will do this in accordance with such plans and arrangements as have been agreed with the relevant authorities. These plans will include the authorisation of appropriate individuals to make emergency declarations and to take decisions on behalf of the SLC. No actions by the NDA or the PBO must interfere with the exercise of this delegated authority.

1.5 The SLC is responsible for producing and implementing the management and control arrangements that are necessary to ensure compliance with its nuclear site licence and radioactive waste disposal authorisations. This gives the SLC the flexibility to propose suitable and sufficient arrangements which not only meet the regulatory goals, but are also optimised to its ongoing business needs, including a key focus on the delivery of decommissioning. This means that arrangements can be tailored to suit the site activities as they change through construction, commissioning, operation and decommissioning and where appropriate, should be proportionate to control arrangements for work on non-licensed sites. If the SLC holds transport approvals or consigns radioactive material then the SLC is also responsible for producing and implementing the management systems for complying with the transport regulations.

1.6 The SLC can also evolve and change its organisational structure and staffing and resource levels to reflect site operating conditions, in accordance with its arrangements made under licence condition

36, authorisation condition 1.6 and the site security plan. These arrangements are to ensure the impact of the proposed changes on safety, environmental protection and security are fully assessed before the change is implemented.

1.7 The SLC is responsible for the production and implementation of plans (Lifetime Plans) which address the management and decommissioning of the site in line with strategy direction prioritisation and funding provided by the NDA. These plans may be revised periodically to reflect changes in such guidance. Key activities may require NDA's financial sanction. As the strategic and funding authority for its estate, NDA will seek information and advice on options and the consequences thereof from the SLCs and will take these into account within its decision making processes in these areas. However the SLCs have direct obligations in law for the safety, security, safeguarding and environmental protection of the sites they manage on NDA's behalf, and for complying with relevant regulatory requirements.

1.8 The SLC also has a number of specific duties which arise from NDA's enduring ownership of the sites and liabilities thereon, and the need to account for these in a standardised way.[Ref3] The SLCs also operate within standardised risk management arrangements set out by NDA which comply with Treasury requirements. These are also summarised in Annexe 3.

Governance and Organisation of the SLC

1.9 The SLC is a corporate body in its own right with its own Board of Directors including appropriate non-executive Directors, some of whom are independent of the PBO. It is bound by the relevant requirements of corporate governance and must have the necessary staff to carry out its responsibilities for the safe operation of the installations it has control over. The SLC is the body liable for any injury to persons or damage to property that results from the operation of its sites, and from any failure to comply with its relevant permits and consents.

1.10 The SLC must also have the resources, knowledge, skills and expertise to deliver the NDA contract and remain sufficiently independent of the PBO to ensure that it can be effectively handed over to a new PBO following competition, or indeed to withstand the termination or withdrawal of an incumbent PBO, without the threat of significant loss of control.

SLC as Intelligent Client

1.11 The SLC must be organised and staffed with experienced people to be able to understand the safety, security and environmental basis for all the plants on its sites and to operate them accordingly. This makes the SLC the principle User of its sites. The SLC will be accountable for the safety, security and environmental performance of any bought-in expertise, whether from the PBO or any contractor and be responsible for its implementation.

1.12 In addition to the role of PBO secondees (see 1.15 to 1.20) the need for the SLC to be the principal User, i.e. in day to day control of the site does not rule out the use of 'Tier 2' sub-contractors for certain functions. However as the intelligent client, the SLC will be expected to oversee and take responsibility for their activities. This includes ensuring that sub-contractors have sufficient staff with the necessary competence to carry out their duties. The use of sub-contractors or consultants must not compromise the SLC's chain of command or its ability to control the activities on the licensed site.

SLC's responsibilities for Safety, Security and Environmental Management

1.13 As holder of the various instruments, UK legislation places the primary responsibility for compliance with the nuclear site licence, radioactive waste disposal authorisations and site security plans on the SLC. The SLC will be expected to have an adequate management structure, capability and the necessary resources to discharge the obligations and liabilities required by the relevant Safety

(nuclear and conventional), Security and Environmental (NSSE) legislation. The type of organisation and level of resources will be commensurate with the level of risk associated with the activities on the site.

1.14 The SLC is expected to have an integrated approach to NSSE management in order to provide;

- effective NSSE management over the operational lifetime of the organisation
- an appropriate NSSE relationship with the Parent Body Organisation
- clear lines of authority to control the activities undertaken by the staff of the SLC and any sub-contractors
- clear roles and responsibilities for all staff who deliver or can influence NSSE related activities
- staff with competence commensurate with their responsibilities
- sufficient resources necessary to ensure NSSE priorities are effectively delivered
- the clear definition and documentation of all NSSE duties associated with site activities, including necessary standards and requirements
- adequate arrangements to prevent and mitigate hazards arising from site activities and to comply with the requirements of the nuclear site licence, the radioactive waste disposal permit or authorisation and security regulations
- arrangements for the selection, control and supervision of sub-contractors, and to be the 'Client' under the CDM Regulations for all CDM projects carried out on its nuclear licensed sites

SLC Staffing and the role of PBO Secondees

1.15 The SLC should not be immediately vulnerable to management changes or loss of key knowledge and skills that could arise from a change of ownership resulting from implementation of the NDA's contract options or the PBO's withdrawal or default. Hence the SLC should have within its own enduring staffing complement all the necessary skilled and experienced people to be able to continue to operate the site safely following a change-over of PBO or termination of a PBO's contract with NDA. The SLC should be able to demonstrate this within its staff development plans.

1.16 However the primary purpose of the NDA competition process is to secure innovation and change to deliver its strategy of innovation, faster and more cost effective operations, radioactive waste management, decommissioning and cleanup. To effect this some key SLC posts will be filled by Parent Body Organisation secondees. The number of such secondees will vary according to the size and complexity of the SLC but should be commensurate with the delivery of commitments given during the competition process and provide appropriate strategic direction, leadership, innovation and change to ensure that the SLC is optimised for the delivery of the NDA contract.

1.17 Any staff seconded into the SLC will need to be suitably qualified and experienced to meet the safety or environmental requirements for the posts they hold. Once seconded to the SLC they will be accountable as SLC staff under UK law and thus subject to scrutiny by regulators for the safe, secure and environmentally responsible operation of functions or facilities within their responsibility.

1.18 To minimise the management of change challenges during PBO transition,[Ref4] at the point of taking over the SLC the Parent Body Organisation will be expected to match its secondees into the SLC to those necessary to take over directly from the previous top management team to provide structural continuity, and transition support. This is in effect one for one change at the point of transition.

1.19 This initial limitation does not preclude the later use of additional expertise or secondees from the Parent Body Organisation structure or elsewhere. These later changes will then be subject to appropriate SLC controls governing change management. These extra resources can be used to supplement or improve the performance of the SLC through normal sub-contracting arrangements or as secondees into specific posts to manage major technical or change projects.

1.20 Secondees should not usually take the place of SLC staff in areas where detailed enduring knowledge of the day to day operations on the site is required as this knowledge and experience is essential to the SLC and must endure beyond any subsequent changes of ownership. If secondments are required into any enduring technical or safety related positions NDA would expect to be consulted on this, and may require that these staff can only be subsequently withdrawn under specific arrangements agreed with NDA which may be independent of the PBO contract duration or termination if this occurs. Where such proposals relate to key safety or environment related positions NDA may also consult with Regulators before agreeing to them.

1.21 As part of its enrichment of the SLC and to improve its long term capability, it is recognised that the PBO may choose to second SLC staff to the PBO or its other operating units. A process to govern such arrangements is being developed by NDA in conjunction with the SLCs.

Key Attributes of the SLC

Attribute 1 The SLC must be capable of continuing to hold the nuclear site licence, radioactive waste disposal authorisation and security plan even if the Parent Body Organisation secondees are withdrawn. While in such circumstances, the SLC's capability will inevitably be reduced, the SLC must remain sufficiently competent to continue to hold the above instruments and operate the site.

Attribute 2 The SLC must remain the enduring "User" of the site, i.e. demonstrably in control of all safety-related, environmental and security activities, and able to justify the adequacy of such activities. This means that all safety, environmental and security activities should be carried out directly by Suitably Qualified and Experienced (SQEP) SLC staff (including its PBO secondees), or by those under direct contract to the SLC and under appropriate supervision of SLC staff. The SLC must be the Intelligent Client for all outsourced activities that are necessary to deliver the NDA contract, to ensure that these meet the safety, security and environmental obligations of the SLC.

Attribute 3 PBO staff who are seconded into the SLC through formal secondment agreements become SLC staff for legal and employment purposes and are bound by the SLC management systems for the duration of the PBO's ownership of the SLC unless their secondments are ended earlier in accordance with the M&O, PBA and secondment agreements. Under UK health and safety law the SLC's management control arrangements can be enforced as legal requirements of the nuclear site licence.

Attribute 4 In addition to keeping its sites safe, secure and environmentally secure the SLC should be capable of controlled change to deliver the NDA's strategy of innovation, faster and more cost effective operations, radioactive waste management, decommissioning and cleanup. The agent for change will be the Parent Body Organisation. The Parent Body Organisation will be expected to supply the top management team to provide the leadership and strategic direction of the SLC and provide other people as appropriate to supplement the permanent SLC staff. The combination of the Parent Body Organisation managers and the permanent SLC staff will be expected to provide the top performing organisation the NDA needs to deliver its contract effectively.

Attribute 5 The SLC should have a suitably qualified and experienced (SQEP) deputy or alternative capable of taking over the role if necessary for each Parent Body Organisation secondee who occupies a safety, security or environment related management post within the SLC. As a result the SLC should not be immediately technically vulnerable to management changes or loss of key knowledge and skills that caused by a change of ownership resulting from implementation of the NDA's competition strategy. The SLC's staff development plans can be used to demonstrate how this requirement is met.

Attribute 6 The SLC should not have any Parent Body Organisation seconded staff in a safety, security or environmental related post for which it would take more than six months to provide a fully SQEP replacement unless this is agreed in advance with NDA who will consult regulators if appropriate.

Attribute 7 The SLC shall have management arrangements that are appropriate to delivering compliance with its relevant nuclear site licence, security, transport and radioactive waste disposal authorisation duties. Where possible, this should comprise an integrated health, safety, security and environmental management system.

Annexe 2. Roles, Duties and Attributes of the Parent Body Organisation

2.1 The Parent Body Organisation (PBO) is an essential part of the NDA operating model. It is the PBO that brings new expertise and resources necessary to bring innovation, value for money and the optimisation of decommissioning delivery that is necessary to deliver the NDA strategy. The PBO will develop its key proposals for this during the competition process and set these out in its tender documents. The proposals of the winning bidder will form the basis of subsequent contracts with the NDA.

2.2 In the NDA competition process the prospective PBOs will be expected to compete with others for the ownership of the SLC. The PBO may be a single company or a consortium comprised of a number of companies that join together to provide the range of experience and expertise that is necessary to deliver the activities that the SLC is contracted to deliver. The PBO will provide evidence for the expertise and the operational track record which under-pins any claims made in its tender documentation. The PBO will also demonstrate the financial resources necessary for the Parent Body Guarantees that are required by the NDA.

2.3 The PBO has no direct operational responsibilities for the sites operated by the SLCs. However, through its secondees into the SLC, the PBO provides the vision, leadership and change to translate its tender commitments into operational reality and ensures the SLC is optimised to the delivery of the NDA contract. The PBO therefore, has a major influence on the SLC and thus how the NDA contract is delivered. However, while the PBO's influence will make it a secondary User of the licensed site, it has to be aware of the need to ensure that the SLC clearly remains the principal User at all times – see 1.2 and 2.5.

2.4 The nuclear safety, industrial health and safety, security and environmental attributes of the PBO are of considerable importance. The NDA would expect the successful PBO to be able to demonstrate that it understood the importance of having an integrated approach to the management of health, nuclear safety, security and environmental protection. The PBO should therefore have experience either directly of the UK regulatory system for nuclear safety, radioactive waste management, radiation protection, industrial health and safety, security and safeguards and environmental protection or, if gained elsewhere, experience which it can show can be effectively translated into the UK environment.

PBO interface with SLC's obligations to be the principal User of its sites.

2.5 Under UK law, as holder of the nuclear site licence, disposal authorisation and other permits the SLC must retain control of safety, security and environmental protection associated with the operations being carried out on its nuclear licensed sites and it has the management systems, staff and competence to underpin this. The PBO must respect the responsibilities of the SLC as the principal User of the site and not direct or interfere with site operations, as to do so would contravene UK Health and Safety legislation. If this happens, as the principal User it is the SLC and its senior staff (who may be secondees into the SLC from the PBO) who are liable to primary enforcement action. However if the PBO's actions or decisions of the PBO in its own right can be shown to have led to the contravention then the PBO and/or its staff may also be subject to enforcement action.

2.6 Specific legal obligations relevant to the interface between the PBO and the SLC is provided in Sections 3, 8, 36 & 37 of the Health and Safety at Work Act (regulated by the Health and Safety Executive) and Section 37 of the Radioactive Substances Act which is regulated by the Environment Agencies.

Key Attributes of a PBO

NDA expects PBO to have the following key attributes and may test these as part of its competition process. Where the PBO has gained this experience outwith the UK, NDA would expect the PBO to demonstrate how its or, in the case of a consortium, their collective experience is equivalent and relevant.

Attribute 1 Whilst the PBO has no direct operational responsibilities for the sites it owns, it should provide the vision for the site(s), the key personnel to be seconded into the SLC to translate the vision into operational reality and provide the leadership and management support for the SLC to deliver the NDA contract.

Attribute 2 PBO must ensure that the SLC's enduring capability is optimised and sustainable for delivery of NDA's mission.

Attribute 3 PBO should be able to demonstrate a comprehensive understanding of nuclear safety, security and environmental regulation and be able to show how their staff have successfully managed significant nuclear decommissioning and radioactive waste management projects in a regulated environment.

Attribute 4 PBO should be able to show that its staff have successfully managed nuclear activities which are the same as or similar to those on NDA sites and that it understands what excellent nuclear safety, security and environmental performance means in the context of these activities.

Attribute 5 PBO should be able to demonstrate that its staff have extensive experience associated with the safe retrieval, conditioning and storage of the types of radioactive wastes on NDA sites. It will also be expected to demonstrate that radioactive waste management activities carried out under the control of PBO staff were carried out safely, securely and with due regard for the environment. PBO should be able to demonstrate an excellent record of radioactive waste management.

Attribute 6 PBO should be able to demonstrate a thorough understanding of radiation protection including the management of both radiation and contamination areas. PBO will be expected to demonstrate that their staff have successfully managed projects or sites in which the radiation exposure of the workforce was managed to meet the ALARP regulatory requirements. The PBO should be able to demonstrate an excellent record of radiation exposure management.

Attribute 7 PBO should be able to demonstrate that they have delivered successful health and safety management within projects or sites under the control of their staff. PBO should be able to demonstrate an excellent health and safety record that shows how the accident rate and health metrics have been progressively managed to deliver sustained improvement. PBO should be able to demonstrate an excellent record in the management of industrial health and safety.

Attribute 8 PBO should be able to demonstrate for projects or sites under the control of their staff, that they have extensive experience of protecting nuclear installations, nuclear materials, other radioactive, hazardous or toxic materials and sensitive nuclear information including national protectively marked material. PBO should have an excellent security record.

Attribute 9 PBO should be able to demonstrate a good understanding of what is required to effectively manage the environmental performance of complex nuclear installations. They should also be able to demonstrate that for projects or sites under the control of their staff that they have an exemplary record of environmental performance and a reputation for the delivery of excellence and continuous improvement in environmental matters.

Attribute 10 PBO should be able to demonstrate they have an exemplary regulatory compliance record. PBO should also be able to demonstrate, for projects or sites under the control of their staff, that

regulatory non-compliances have been actively managed and that over the periods of their responsibility the trend of non compliance has reduced.

Attribute 11 PBO should be able to demonstrate that they have extensive experience in asset management.

Annex 3. NDA activities and its interface with the principal User of the site.

3.1 NDA's primary role is set out under the Energy Act 2004. NDA is the strategic authority for its estate, the client for the programmes of work carried out by the SLCs in response to NDA's strategy and prioritisation requirements, the funding authority for this work and the competition authority for the selection of Parent Body Organisations (PBO) for the SLCs. In addition to these primary roles NDA's Radioactive Waste Management Directorate is the design authority for the prospective Deep Geological Disposal Facility for radioactive waste, and within this role issues "Letters of Compliance" for radioactive waste packages which are being committed in advance of the Repository Disposal System Safety Case. NDA's subsidiaries, International Nuclear Services and Direct Rail Services, provide specialist transport and logistics services to the UK nuclear industry. NDA places certain standard requirements on its Estate for the reporting of management information to enable NDA to carry out certain of its duties – see 3.6 to 3.9 below.

3.2 In carrying out the various aspects of its role above, ie in setting strategies, guiding priorities, allocating funds and exercising governance on the deployment of these, and selecting replacement PBOs, NDA will strive to ensure that its activities are complimentary to, and do not obstruct the SLCs in the latter's role as the principal Users of the nuclear licensed sites on the NDA estate. NDA is however aware that it is a secondary user of the site in respect of its Energy Act duties and has issued separate internal guidance to its own staff in this area to make sure any activities giving rise to overlapping legal responsibilities are carried out co-operatively. However NDA's Energy Act duties do not equip NDA, or provide it with the degree of control to warrant it being the SLC. NDA has set out guidance to its own staff on its interface with the duties of the SLC[Ref2]. NDA has its own separate responsibilities under Health and Safety legislation for its activities as they affect the operation of the estate, and for the safety of workplaces (sites, facilities and materials) for which it is the enduring owner.

3.3 The Energy Act does provide NDA with the power to directly hold nuclear site licences and environmental authorisations. However these are reserve powers intended for exceptional situations.

3.4 As part of its roles as strategic and funding authority, NDA will seek information and advice from its SLC on options and the consequences of these, which it will take into account in its decision making processes.

Outline of the NDA Competition model and process.

3.5 The competition process is as follows;

- NDA agrees with government the timing and phasing of the NDA competition process
- NDA undertakes a competition for the ownership of the SLC and to identify proposals to improve and optimise delivery of the NDA contract
- Following an appropriate transition process the PBO winning the competition receives the shares in the SLC, for the duration of the NDA contract and provides specific individuals to manage the SLC and the delivery of the NDA contract
- NDA awards a new contract to the SLC based on the proposals negotiated during the competitions and signs a Parent Body Agreement (PBA) with the PBO
- The PBO receives income via a combination of SLC contract fees and performance incentives as are set out in the SLC contract for the successful delivery of the NDA requirements, and
- At the end of the term specified by the NDA at the outset of the competition process, or any extensions to this term agreed by the NDA another competition will be initiated for ownership of the relevant SLC. If a different PBO wins the competition and after an appropriate transition period agreed with the regulators, the shares in the SLC will be transferred to the winning PBO

- In addition to its rights to agree extension options to the contract period or to re-compete the contract, NDA has the right to early termination of the PBA. While NDA would normally seek the early appointment of a replacement PBO to hold the SLC shares in such circumstances, NDA does have the reserve right under the Energy Act to hold the SLC shares directly for an interim or extended period

Management of Assets, Liabilities, Risks and Opportunities.

3.6 The NDA are the enduring owners of the assets and liabilities transferred to the NDA under the Energy Act. The NDA effectively contracts out to the SLC a number of its obligations in respect of its nuclear estate and the nuclear and non nuclear liabilities.

3.7 In support of its contract, NDA leases its sites to the SLCs who acts as custodian of the sites and as steward over NDA's assets thereon. These duties include, but are not limited to

- maintaining an accurate register of assets, including fixed assets, stocks, stores, spares, equipment, intellectual property, cash on deposit, leases, investments, collateral
- providing an account of the nuclear estate including regular calculations of liabilities and tracking changes to these
- applying changes to the nuclear estate within sanctioned limits, such as changes in stores levels, asset modifications etc.
- applying physical safeguards over the assets of the nuclear estate, including fixed assets, equipment stocks, spares etc and also information assets, records,
- applying a scheme of internal controls over the asset base, including controls over information and fraud prevention,
- arranging for regular audit to ensure that controls are effective,
- maintaining a record of financial exposures, guarantees, bonds, financial instruments, claims, warranties and tax balances
- providing data to the NDA on such aspects of performance management and plant conditions as NDA may require
- maintain plans to manage and deal with liabilities, including actions to prevent these liabilities worsening

3.8 The NDA has one set of policies with regard to the accounting, reporting and consolidation of the nuclear estate and liabilities[Ref3]. The SLC is required to maintain all necessary accounting records relating to all of the assets and liabilities under its stewardship, in accordance with the accounting policies of the NDA and subject to scrutiny by the external auditors of the NDA.

3.9 In support of its Lifetime Plans, SLCs must set out their assessment of Risks and Opportunities. This information is important because it may impact delivery of the scope and or objectives. Such changes to the basis of a work scope may significantly change the technical, cost and schedule components of the Lifetime Plans, or affect the safety or security of operations or their environmental impact. These risks or opportunities can either be those entirely managed within the SLC's scope of responsibility or could be more appropriately carried and managed by NDA, or could be shared between the two. NDA's key interest is in any strategic or generic implications arising from these risks and opportunities. Further information on the management of Risks and Opportunities is set out in separate NDA guidance.[Ref5]

Annexe 4. Industry Regulators and their interface with the parties in the NDA Operating Model.

7.1 The UK nuclear industry is regulated by specialist regulators for safety, security safeguards and transport (HSE's Office of Nuclear Regulation), environment (EA in England & Wales, SEPA in Scotland). All of these regulators operate under legal powers drawn from appropriate sponsoring legislation, and all have the powers to access, inspect, assess, permission certain activities, and to investigate and enforce breaches of requirements. However all of these regulators operate within the UK legal framework for the nuclear industry which places primary responsibility for the management of safety on the SLC as principal User of the site. No regulatory action, direction, approval, requirement or opinion can remove or limit this responsibility in any way[Ref1].

7.2 Consequently compliance arrangements for work on licensed sites are owned by the SLC who will ensure that they are optimised to its ongoing business and residual risks. SLCs can consult regulators on proposed changes to arrangements, and regulators can and should provide advice to duty holders.

7.3 The activities of the PBO, and indeed those of the NDA impact on the SLC and thus can influence how the SLC manages safety, security and environmental protection on its sites. While the various activities of the PBO and NDA do not require either to hold a nuclear site licence, or disposal permit / authorisation, their activities are covered by other UK safety and environmental regulations and can be subjected to legal sanction by the above regulators.

FIGURE 1 - THE SITE LICENCE COMPANY MODEL

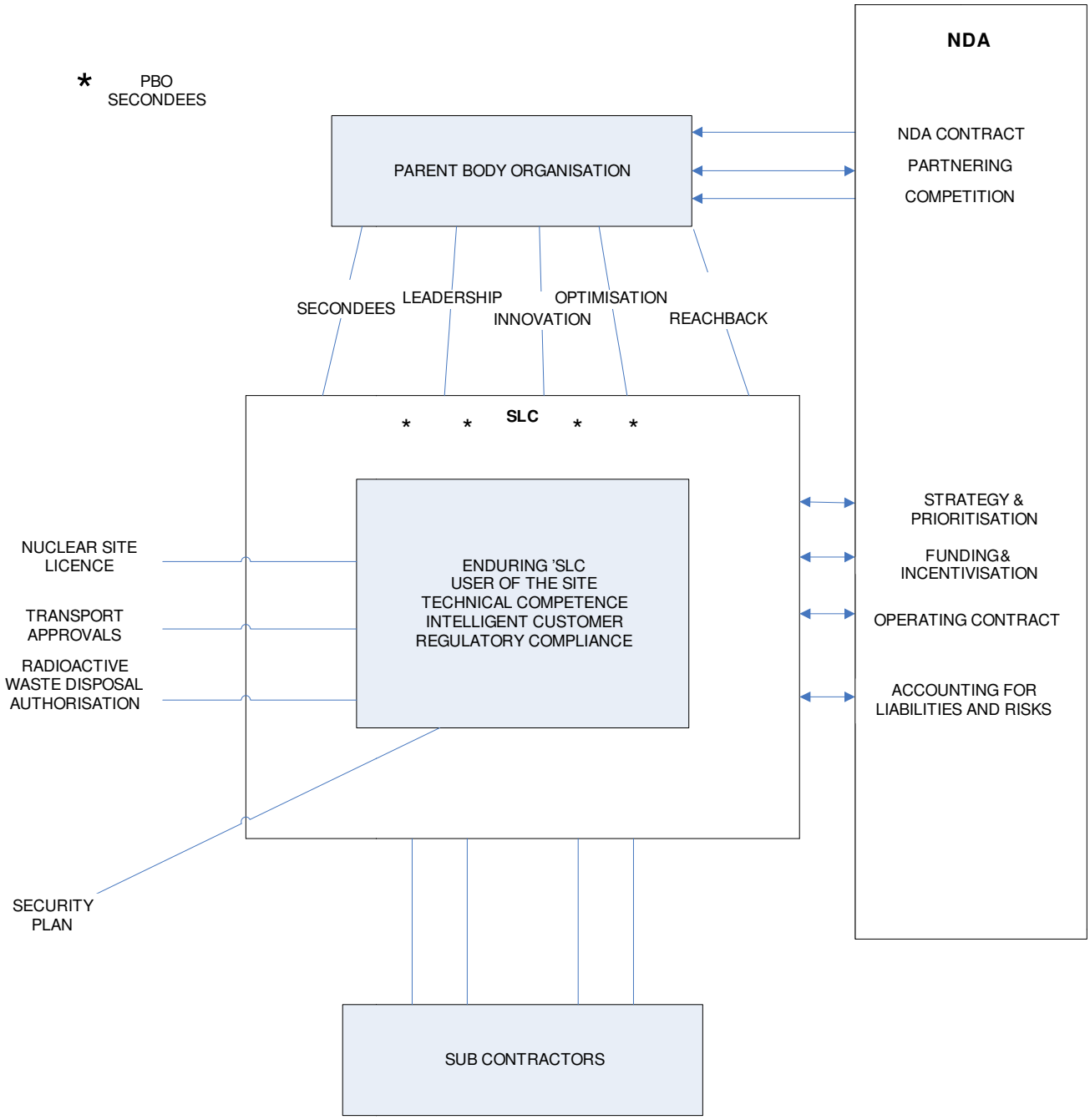

Figure 1

NDA OPERATING MODEL