Note of SAFESPUR Meeting

Decommissioning and Clean-Up – Strategies and Opportunities
AMEC NNC, Warrington, 1 April 2008

This meeting was held to give SAFESPUR members a chance to hear first hand about forthcoming contract opportunities at Nuclear Decommissioning Authority (NDA) sites and some Ministry of Defence (MoD) nuclear sites, and to discuss the latest developments in contract strategies. In the first half of the meeting there were three presentations, with short question and answer sessions between them. In the second half of the meeting participants split into two groups for discussions then came back together to share their main points. The meeting was chaired by David Churcher of Hitherwood Consulting Ltd and attended by about thirty people.

Civil Decommissioning Market – an Update
The first presentation was by Ron Gorham, Head of Supply Chain Development and Commercial Relationships at the NDA. He began by noting that the NDA is now three years old. The process of regrouping its site licence companies (SLCs) is largely complete and relicensing is progressing. The SLCs for Springfields, all the Magnox sites and the Low Level Waste Repository are all in private sector ownership, and the competition for Sellafield Sites Ltd is well-advanced. He then reminded the audience of the September 2006 SAFESPUR meeting when he gave an initial presentation on the NDA's procurement strategy. At that meeting, there followed a Nukem presentation that, while welcoming the increase in the quantity of work being put out to tender since the NDA had been formed, highlighted a number of problems with the SLCs' procurement of tier 2 contractors' services. Ron said that since then, a "supply chain improvement project" has been set up to address these issues, there had been improvements in standardisation of generic contractor information and flowdowns for NEC contracts, and more work was being done on improving communications.

In 2008/09 the NDA will spend about £2.5 billion, of which just under £1.3 billion will go to tier 2 contractors. Over 50% of the supply chain spend in 2007/08 was at Sellafield and this will also be the case in 2008/09. The SLCs are now working with the NDA to develop the market. Each site publishes an annual procurement plan (APP), so that contractors know what to expect over the coming year. The NDA has been encouraging SLCs to move towards "portfolio buying", ie cooperating to purchase services needed by several sites; this has focused on commodities but could include the work of consultants and contractors. The NDA now has a supply chain development team. There are national forums for contractors at various levels and an NDA supply chain development strategy is in preparation. The aim is to improve supply chain communications and to collaborate with other nuclear industry clients. Ron ended by mentioning several forthcoming opportunities and challenges at NDA sites, particularly ones related to radioactively and non-radioactively contaminated land.

Magnox North Procurement and Communications Strategy
The second presentation was by Sion Edwards, who was commercial manager at Trawsfynydd but had just moved to be Head of Sub-Contracts at Magnox North. Of the five sites in Magnox North, two are in Scotland, two in Wales and one in England; two are still generating electricity. Trawsfynydd is a good example of a site that is being decommissioned. It has a "3 box" strategy, in which two (reduced height) reactor buildings and one intermediate level waste store will remain on site during a care and maintenance period of several decades. The boilers have been removed from the reactor buildings prior to height reduction and the store has been built and is being commissioned. Trawsfynydd has moved from a traditional procurement strategy to a collaborative one (based on the thinking of Latham and Egan) in which contractors are involved at an earlier stage and work together to carry out major projects. There is a "Trawsfynydd Strategic Integrated

Framework" (TSIF) for waste management and retrieval. In this TSIF four contractors (AMEC, Aker Kvaerner, VT Group and Costain) have been working on retrieval of fuel element debris, pond scabbling, and retrieval, conditioning and packaging of miscellaneous solid active waste, sludge, ion exchange resins and intermediate and low level waste stored in vaults.

Magnox North has formulated a plan for informing itself and its stakeholders about how it intends to do business in the longer term. It has divided work to be put to the supply chain into twenty categories based on market capabilities and capacity, and linked to industry codes. These categories are embedded in the sites' lifetime plans (LTPs). In the near future Magnox North will publish a "long range graphic" (LRG) that shows projected spend on each work category, by site, for the next decade or more. This will help to bridge the gap between the LTPs and the APPs. In parallel, Magnox North is further developing its contract strategy. Its current thinking is that:

- collaborative working should be used for high commercial risk projects where the work is not well-defined, with long-term contractual arrangements and early involvement of contractors in problem solving
- framework contracts should be used for low risk, low cost work, with call-off arrangements
- target cost or fixed price contracts should be used for low risk high cost work, with traditional competitions.

There will be a dedicated website for Magnox North to communicate its procurement strategy to suppliers.

AWE Supply Chain Opportunities

The third presentation was by Tony Morris, Head of Procurement at AWE, which has sites at Aldermaston and Burghfield. The sites are run by AWE plc, which is owned by AWE Management Ltd, a joint venture between BNFL, Lockheed Martin and Serco.[1] AWE Management Ltd has a 25 year contract with MoD. The contract is output driven, with target costs and incentivised fees. It incorporates regulatory requirements and separate funding for dealing with legacy wastes and materials. There are large construction projects underway at Aldermaston to upgrade its infrastructure and restore the capability to maintain a UK strategic nuclear deterrent.

AWE is spending over £150 million per year on major projects and about £70 million per year on "integrated personnel" (ie staff from contractors who work permanently on site). Some of this spend is on decommissioning and land remediation; there is also an annual spend of about £22.5 million on decommissioning and demolition operations. The decommissioning programme is expected to extend to 2019, with a budget of £20 to 25 million per year. There will be some five year contracts in particular areas. Current work includes decommissioning a building in which there is tritium contamination, decommissioning glove boxes used to handle plutonium and demolishing various old buildings on the Aldermaston site.

AWE segments its suppliers by contract value and strategic risk, and manages the segments differently. About 88% by volume of all procurement is made up of contracts of value less than £10k. There are over 100 projects of value over £250k, of which a handful are of value more than £1 million. The trend at AWE is for fewer, more strategic suppliers, more framework contracts and earlier involvement of suppliers so as to match future demands. There are now about 80 strategic suppliers, in areas including engineering and construction, design houses, facilities, IT and consumables. A standard modular architecture is being

[1] BNFL's share is being sold to the private sector. At the time of writing the new owner has not yet been named.

increasingly used for contracts. AWE is talking to the NDA about consistency in contract conditions.

Key Points from Discussion

Contract strategies

- Magnox North and AWE seem to segment their markets in different ways; it would be helpful if there was more consistency.
- There are differences between Magnox North's and AWE's use of framework contracts. Magnox North thinks that it has had too many framework contracts in the past. It intends to reduce the number and focus them on low risk, low value work. Collaborative working, as in the TSIF, will be used for high risk projects. AWE tends to use framework contracts for strategic projects.
- Contractors have encountered problems with framework contracts, especially in the case of contaminated land work. They often do not know how much work they are bidding for. There have also been instances where no work has been commissioned after the contract has been set up. Flows of work can be uneven, with large projects appearing suddenly, leading to resources problems. Some contractors find that having a framework contract makes it difficult to obtain other work on the same site.
- From the sites' point of view, a drawback of framework contracts is that it can be difficult to get value for money.
- More generally, sites feel that it is important to have the right balance between competition and collaborative working.

Project approvals

- Several participants had found that some projects put out to tender by SLCs never go ahead because they are not approved by the NDA.
- The NDA acknowledged that there had been issues with approvals and said that it was working with SLCs to improve the situation. The intention is for the NDA to take a more strategic approach and to raise the monetary thresholds above which SLCs have to seek specific NDA approval for projects. SLCs will be encouraged to apply for NDA approval at an earlier stage. Improved LTPs, with a firmer basis, are also expected to help.

Tendering process

- Magnox North is working to shorten the contract letting process, thus making it cheaper for themselves and the supply chain.
- The NDA is trying to reduce differences between the prequalification systems at UKAEA, Magnox and BNFL sites. It is also planning discussions with British Energy and AWE. The terms of a European Directive mean that it is not possible to make large changes to the system at Magnox until electricity generation ceases. It is not yet possible to have one prequalification system at all NDA sites because the existing systems are coupled to finance systems that are different, and difficult and costly to change.
- Several participants said there had been occasions when they had been unsuccessful with expressions of interest or tenders to SLCs and had had no feedback; in some cases specific requests for feedback had been ignored. They felt it was important for the NDA to improve this situation, for example by introducing key performance indicators for timely feedback.
- Magnox North was asked whether it would adjust its tender evaluation criteria now that it is taking a longer term view. The answer was that they would think about it.

APPs, LRGs and LTPs

- Contractors welcomed the introduction of APPs but felt they are too short term to allow planning, for example of recruitment.

- Magnox North explained its plans for producing its own LTP, LRG and APP, for all its sites. The APPs of individual sites would sit below the Magnox North APP and provide more detail.
- Contractors thought that the LRG would help but felt that it would not contain enough detail about technical challenges to allow them to carry out early innovative thinking. This is a problem with sites' LTPs at present.
- It was recognised that there is a need for feedback from the supply chain to SLCs and the NDA about potential resource constraints. This would allow LTPs to be adjusted to avoid situations where resources are not available to carry out planned work.
- There is a need for more transparency about changes to APPs and LTPs. Contractors accept that changes will be needed from time to time but need early warning and an explanation.
- It would be helpful if APPs indicated the likelihood that projects would go ahead.

Communication of information about opportunities
- There was a preference for placing details of forthcoming projects on websites, with email alerts of new projects (as in the UKAEA system).
- Project specifications should contain abstracts so that it is possible to find out quickly what the projects are about, without downloading and reading through large documents.

Encouraging innovation
- Innovation is seen as the key to success at the NDA and its SLCs. The NDA is holding a conference on innovation later this year and is working to resolve concerns about IPR.
- The NDA wishes to encourage contractors to come up with new functional solutions and to find new ways to use existing technologies as well as developing new technologies.
- Contractors are being encouraged to access and use their supply chain to bring in additional expertise.
- Making project specifications less detailed is seen as one means to encourage innovation (specifying the objective but not how to achieve it).
- The NDA hopes that budget constraints will lead to more, not less, innovation.
- Contractors need more information from the NDA and SLCs about future funding if they are to invest in innovative thinking.

Benchmarking
- Benchmarking is seen as a valuable management tool.
- The NDA sees benefits in site to site benchmarking of people (skills and performance), projects (costs and achievement of objectives), and services.

Sharing information
- There was agreement that there is a need for SLCs to share more information with each other and for the nuclear industry as a whole (civil and defence) to share more information.
- There is also a need for the nuclear industry to share more information with non-nuclear industries.
- The NDA hopes that incoming parent body organisations, especially those in which some or all partners are from other countries, will bring in new information and thinking. It is also hoped that budget constraints will reduce the tendency for each site and organisation to do its own thing and reinvent the wheel.

Project delivery
- Integrated management teams of site staff and contractors work well.
- Project managers should be involved in all aspects of project delivery.
- Flexibility and the ability to fine tune contracts as work proceeds are important for successful project delivery.