

December 23, 1999

MEMORANDUM TO: Chairman Meserve
Commissioner Dicus
Commissioner McGaffigan
Commissioner Merrifield

FROM: Commissioner Diaz /s/

SUBJECT: THE EFFECTS OF INDUSTRY CONSOLIDATION ON NRC OVERSIGHT

The staff response to my November 9, 1999 memorandum regarding the effects of industry consolidation on NRC oversight (attached) describes the staff's general awareness and the existing foundation for addressing future challenges in this area. However, no specific analyses and plans exist to address today's scenarios. Currently, 60 of the 103 nuclear power plants operate in states that have restructured their electric power industries. Mergers and consolidations of various sizes are happening throughout the country. For example, the merged UNICOM and PECO will control at least 16 reactors, Entergy already controls 6 reactors, and Carolina Power and Light is expanding into Florida. The pace of consolidation is accelerating, and the agency needs to have firmly established plans to effectively carry out its mission in this changed environment.

I recommend that the Commission task the staff to develop a plan to address the areas of oversight that would change under industry consolidation. The plan should be developed with industry and stakeholder participation from the very beginning, in much the same manner the reactor oversight process was developed after the IRAP.

The above task should be done expeditiously so that the staff could then provide the Commission with draft budget assumptions to accommodate NRC preparations for industry consolidation. This should also enable the staff to incorporate performance measures of the consistency of application of the reactor oversight process into the agency's performance plan.

SECY: Please track
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