

February 2009

Note for the Record

Customer Contract Workshops

Monday 26th January 2009, North Lakes Hotel, Penrith
Tuesday 27th January 2009, Marriott Royal Hotel, Bristol

1. Introduction

Two Customer Contract Workshops were held in January 2009 to give an opportunity for LLW Repository Ltd to engage with its customers prior to the development of new contractual arrangements for low level waste services. This Note for the Record provides a summary of the presentation and the questions and answers from both workshops.

2. Presentation

LLW Repository Ltd gave an introductory presentation to provide an overview of the proposals for a new contractual agreement including an outline timetable. The presentation also provided an update on the latest developments within LLW Repository Ltd including the status of the segregated waste services. The presentation can be found on LLW Repository Ltd's website using the following link: <http://www.llwrsite.com/customers/llw-contracts>

Vault 9

Vault 8 is estimated to be full by September 2009. Vault 9 construction is now well underway. We are working with Birse Nuclear to develop the vault and they commenced work on site in late 2008. The project has progressed well and excavations on the site are nearing completion. It is anticipated that an area in Vault 9 will be available for storage in April 2009. Ultimately, it will provide an excellent storage area for segregated wastes. Vault 9 will have a capacity of 100,000m³ and will allow for approximately 10 years of receipts.

Consignor Support

The Consignor Support Team has now be officially formed with Chuck Conway being appointed as the Head of Consignor Support. We are filling a number of vacancies in the team over the next few months and will let you know in due course any changes to day to day contacts.

Business Model

The key point highlighted in the presentation was the fundamental change in LLW Repository Ltd's Business Model. Gone are the times when profit was generated by the amount of waste coming to the Repository. Under contract to the NDA, LLW Repository Ltd's role is to minimise the low level waste liability by reducing the volume of waste to be disposed of at the Low Level Waste Repository and working with customers to identify and implement the most cost effective means of managing low level waste.

Contract Model

LLW Repository Ltd would like to act as a focal point for the provision of low level waste services across the UK by providing customers with a range of services through the supply

chain. We would intend to use the customer contract as the vehicle to access the services with LLW Repository Ltd having a suite of OJEU competed contracts in place to access service providers in the Supply Chain. We believe the existing model of supplying containers to all customers is a good benchmark of how this might work and the benefits to all parties through working together. In developing the new contractual agreement, this will be the model that we propose to use.

New Services

LLW Repository Ltd has been working on the development of new services to support application of the waste hierarchy by improved waste segregation and treatment of waste prior to disposal to minimise the volume of waste to be disposed of at the Low Level Waste Repository. We intend to utilise the supply chain to offer customers a range of new services through a revised contractual agreement. The Metallic Waste Service is now the most advanced with two sub-contractors appointed to provide the service and the Regulatory discussions reaching completion. We are preparing an Invitation to Tender (ITT) for the Combustible Waste Service and are currently working on a Strategic BPEO for Very Low Level Waste. We would like a flexible contractual arrangement that allows us to include the services which are available now and to then add in the new services when they become available.

To support the effective segregation of wastes, LLW Repository Ltd is currently looking at changing the current fleet of ISO Containers to provide a reusable fleet that match the requirements of the services we are developing. We have initiated a project to develop the container fleet and will be consulting with customers as we develop our ideas.

A significant element of the development of the new segregated waste services has been the link to the Disposal Authorisations. LLW Repository Ltd is working closely with the Environment Agency to implement a variation to all site Authorisations in England and Wales. This variation would allow the transfer of waste to the Low Level Waste Repository for treatment prior to disposal. We anticipate all site's Authorisations in England and Wales will be varied in May or June. SEPA are also looking at completing a similar amendment for Scottish sites.

New Contract

LLW Repository Ltd proposes to extend the current agreement from 31st March 2009, on the same terms and conditions, to allow time to develop a new contractual agreement.

The presentation gave an outline of our objectives for a new contract and our intention to develop an agreement that allows us to work with our customers to develop a range of new services.

LLW Repository Ltd is working with our legal team to modernise the existing low level waste agreement to make it suitable for the range of services we wish to provide. Ideally, we would like to have one model contract for all customers. In addition, we have commenced work on a re-write of the Conditions for Acceptance which will ultimately become the new Waste

Acceptance Criteria. We will continue to use the LLW Repository Ltd website as the means of distributing draft documents wherever possible.

With regard to pricing, we are developing a pass through approach to the treatment services where the customer will be charged the cost of treatment. LLW Repository would like future pricing to be more transparent and easier to understand.

The timetable for developing a new contract was discussed with LLW Repository Ltd outlining a draft timeline that would see the contract being implemented in July 2009.

3. Penrith Workshop: Questions and Answers

This section covers questions and comments from customers at the Penrith Workshop. Answers from LLW Repository Ltd are shown in *italics*.

Q1. Could you give us an update on Cumbria County Council's position regarding Vault 9 and their strategy?

- Diane Browne, Springfields Fuels Ltd

Vault 9 has now been recognised as a national facility through the Planning Application approval and in the Waste and Minerals Framework. However, there is a planning condition on us to ensure waste minimisation is taking place. Our approach to implement new segregated waste services is aimed at reducing volume for disposal at the Low Level Waste Repository in support of this condition.

Q2. When will the Environment Agency be updating customer's Authorisations to allow dispatches of segregated waste to the Low Level Waste Repository?

- Derek Wolstenholme, Springfields Fuels Ltd

Authorisations for sites in the UK & Wales will be amended in May/June to incorporate the new services we are offering to treatment plants. The Scottish Environment Agency are working closely with LLW Repository to update the Scottish sites in the near future.

Q3. Rosyth are interested in using the VLLW route. However, it is against government policy in Scotland to go direct to a landfill site in England. Also, is there a danger that the price might go up because of the demand.

- John Brammer, Ministry of Defence

We are working with SEPA to consider how Scottish sites would be able to access our services and we are also considering, through the National LLW Strategy, where landfill capacity is required across the UK. With regard to price, the supply chain is really only now getting started with VLLW and it is difficult to know how the price will develop. Our objective at the moment is to support the development of capacity and to ensure customers can access the route.

Q4. Why does Carbon-14 attract such a high activity charge? Is this something that would be re-considered?

- Murdo Murray, Babcock Marine

The different charges for each radionuclide group relates to the limits defined in our Disposal Authorisation and the likely impact on our Environmental Safety Case. Whilst

we will be considering activity charges in the review of the contract, it is unlikely we will get rid of them completely and we believe it is important that there is some mechanism to recognise that some radionuclides are of more interest to us than others.

- Q5.** Sellafield is working with LLW Repository Ltd to consign the first trial for the new Metallic Waste Service. This will however require a change in our authorisation.
- Geraint Barratt, Sellafield Ltd

We are working with the Environment Agency to implement an Authorisation variation for all sites in England and Wales. This will support the transfer of waste to the Low Level Waste Repository for treatment prior to disposal. We expect the Sellafield Authorisation will be updated by the summer to allow the first consignment to take place.

- Q6.** There was discussion regarding the current packing efficiency incentive in light of the requirement to segregate wastes.

The Packing Efficiency incentive is up for consideration in the new pricing model and may well come out of the new agreement. This is so we do not penalise customers for segregating waste and remove the incentive to use VLLW to fill in the gaps.

- Q7.** Will the new services be optional?
- Elaine Simpson, Sellafield Ltd

Yes, the services will continue to be optional in the new Agreement. The incentive for customers to take them up will be through good service, accessibility and price.

- Q8.** Would like to get a better understanding on how you are going to be recovering costs. I have concerns that the disposal price is going to go up in the future as we would need to recover at least some of our costs.
- Elaine Simpson, Sellafield Ltd

We are developing our pricing model and the Business Case for segregated waste services with the NDA. We have to break the link between the gate price and cost recovery. We do not want to have to increase the disposal costs to recover costs against a lower volume and therefore penalise customers for sorting and segregating waste. We will be open and transparent with the development of our pricing model and hope this visibility will provide you with the required reassurance.

- Q9.** I would like to know what would happen if Sellafield didn't comply with one part of the contract, e.g. sent a non compliant container for disposal, would they still be able to access the container supply service, for example, if it was included under one agreement?
- Geraint Barratt, Sellafield Ltd

LLW Repository Ltd would prefer to have each service as separate schedules. This would mean that we would consider each issue in its own right and any non-compliance in one area would not stop you using other services.

- Q10.** I would like to understand more about the benefits of using LLWR for the new services. Sellafield have already trialled the metals recycling route and would need to be convinced that there are benefits in going through LLWR.
- Elaine Simpson, Sellafield Ltd

We agree that we need to demonstrate the benefits. However, we feel that what we would offer would be an efficient service and by working together, we will cut down on duplication of effort across the industry and improve our buying power in the market place. This model has worked successfully with containers and forms the basis of our Business Case work with NDA.

- Q11.** I have concerns when LLWR will be consolidating loads for shipment for treatment.
- Derek Wolstenholme, Springfields Fuels Ltd

We will not be mixing waste together in one ISO container. When we talk about consolidating waste, we mean that all containers for treatment will be treated as separate packages consigned by each customer but maybe transported together as one batch to reduce transport costs, for example.

- Q12.** I would like to understand more about the duty of care and risk and title.
- Geraint Barratt, Sellafield Ltd

We agree that this is an important element of the Agreement. We will provide additional information on Duty of Care and Risk and Title to support the development of the new proposals.

- Q13.** It would be good to consider how we might closeout individual consignments for third party consignors.
- Maria Lindberg, Studsvik UK

This is a good suggestion. We are considering the need to issue a certificate for waste that has been treated but we may need to extend this to cover a certificate to closeout any one off shipment. This would help with third party consignors. We will consider this as we develop our proposals.

- Q14.** It is important to recognise that fingerprinting and accounting for the radiological activity if it is going off for treatment is key to getting this process right. This can be complex in the UK, and at Sellafield in particular.
- Maria Lindberg, Studsvik UK

We do recognise this challenge and will look to engage with customers early and work with our suppliers to ensure that each consignment for treatment is suitably characterised.

4. Bristol Workshop: Questions and Answers

This section covers questions and comments from customers at the Bristol Workshop. Answers from LLW Repository Ltd are shown in *italics*.

- Q1.** Are you looking at making all the contracts the same?
- John Slaughter, Magnox North

We would like to move to one contract model for the new contract. We are also considering the feasibility of having a single pricing model as well.

- Q2.** The key element for Magnox to use the new segregated waste services is that the right containers are available. Most Magnox sites don't have a lot of space available to support storage and segregation.

- John Slaughter, Magnox North

We have initiated a project to develop a new container fleet that will support segregated waste. These are likely to be re-usable containers on a smaller scale that support batch volumes of metals and combustible material. In addition LLW Repository is looking at a bin collection approach where we would collect smaller containers from customers and package them together for transport to the Repository or treatment facility. This approach would appear beneficial for smaller volume consignors.

Q3. One month may be long enough to approve the new contractual agreement, if the new proposals aren't dissimilar from the draft and we agree the content of the draft in advance.

- Rob Storrie, GE Healthcare

There was significant debate on the approval process for the new contractual agreement. The conclusion of this debate is outlined in Section 3 above where a revised timeline is outlined.

Q4. Will some of the new services, which haven't already under gone the OJEU process, be in the new contract?

- Kevin Sheppard, Magnox North

We will only be including the services which are available to use. These services will have been competed through the OJEU process in accordance with the new contract model. The other services will be added in at a later date as they become available.

Q5. When will the combustible service be available?

- Rob Storrie, GE Healthcare

We have now completed the Strategic BPEO. The next stage is for us to develop and issue the Invitation To Tender. This is being worked on now and we would look for the service to be fully available in late 2009.

Q6. I don't think the 1st of July date to develop a new agreement is achievable. Also, I don't want to sign an extension of the existing contract to July if it isn't achievable and has to be extended again. I think allowing 9 - 12 months would be more realistic.

- Kevin Sheppard, Magnox North

As described in Section 3 above, there was significant discussion on the timeline. We have agreed that a longer extension is the best way forward along with a revised programme.

Q7. We need to consider the incentive for the packing efficiency of the ISO. At Harwell, we used to top off our containers with VLLW. However, we have now changed our procedures. Is this something you are considering?

- Alan Fisher, UKAEA

Yes, the Packing Efficiency incentive is up for consideration in the new pricing model and may well be removed from the new agreement. This is so we do not penalise customers for segregating waste and remove the incentive to use VLLW to fill in the gaps.

- Q8.** I would like to see a programme that shows the long term development of the contract and the other influencing factors, such as implementation of new services, the Environmental Safety Case, National Strategy, etc.
- Jim Buckley, Magnox South

We agree that this would be very beneficial and will develop a programme for discussion with customers.

- Q9.** What about Intermediate Level Waste (ILW)? Will LLWR be encouraging the re-categorisation of ILW to LLW.
- Jonathan Hawken, Magnox North

In principle, LLW Repository Ltd is keen to support these initiatives as this will support the mission of reducing the liability for NDA. However, we have to consider how this is achieved. We are looking into this at a policy level as we have to consider the impact of more volume on the capacity at the Repository.

- Q10.** The pricing is the key to customers fully applying the waste hierarchy. It is difficult to improve forecasts and inventories with the current review of Exemption Orders as this could impact on VLLW and SOLA definitions
- Rob Storrie, GE Healthcare

Agree on the first point and we are working to develop our pricing accordingly. The inventory is an important subject for LLW Repository Ltd. We are working with NDA to identify ways of improving the LLW aspects of the inventory. We are also involved in the Exemption Order review and will continue to keep an eye on developments on that front and how they might impact our services.

- Q11.** Do you envision it being difficult to move to a single pricing structure? And if so why?
- Chris Jolliffe, WMT

Currently there are two different pricing structures. We have a Public Sector pricing schedule used by all NDA sites and the MoD and a Private Sector pricing schedule that covers all other customers. We aim to have one pricing structure but this depends on the different rules for liability charging and profit. We are working with NDA to establish if this can be achieved. Whatever we end up with, it will be more open and transparent than it has been in the past.

- Q12.** When are the EA going to change everyone authorisations?
- Alan Fisher, UKAEA

It is the Environment Agency's intentions to vary Authorisations for all sites in England and Wales by around May/June 2009. This will allow treatment and disposal through the Low Level Waste Repository. The CEAR will be used to control which treatment routes are available, with Metallic Waste being the first. SEPA are planning similar variations for Scottish sites.

- Q13.** How far behind is SEPA than the EA with authorisations?
- John Slaughter, Magnox North

We have held discussions with SEPA but as yet we don't have a timescale for implementation in Scotland.

- Q14.** Will the combustible service include oil?

- Dougie Hull, AWE, Aldermaston

This will be part of the Invitation To Tender scope and will then be an option that we would like to develop. As it is not solid low level waste, this will require some additional work to establish this route through LLW Repository Ltd.

Q15. Are orphan wastes being considered? Such as mercury, oils and others.

- Alan Fisher, UKAEA

We have put our efforts into the big volume areas first. We do recognise that there are issues with orphan wastes and we will be getting to these soon to identify what options are available to deal with these wastes. There is consideration of orphan wastes in the National LLW Strategy as well.

Q16. Is the Waste Acceptance Criteria (WAC) going to change dramatically? Given there aren't any actual changes to the Repository's Authorisation is more a document re-structure

- Mike Lambden, Ministry of Defence

The change to a WAC will have more to do with the document structure and usability than major technical changes. We aim to provide more detail where needed but also to make it easier to use. It is currently being re-written now. Once a draft version is available it will be posted on our website for comment.

Q17. Currently in the contract there is a line indicating use of the waste hierarchy wherever possible. Will the new services become mandatory?

- Jim Buckley, Magnox South

At first they won't be mandatory, we intend to retain them as optional. We hope that the price, ease of access and good service will encourage customers to take them up. In the future, the Regulators could get involved and make customers use the new services. This isn't our role. We want to get the routes established first and take it from there.

Q18. What about waste with two treatment options e.g VLLW Metals & combustables?

- Keith Stevens, Nuvia

This is a difficult decision. We will not be overly prescriptive in the Waste Acceptance Criteria. The route to be used will be driven by the Customer's BPEO assessments and the balance of economic and moral issues.

Q19. Will customers get recognition for pre-treatment of waste? It costs more to sort and segregate waste before shipment to the new treatment services.

- Norman Grieve, British Energy

We aim to develop a pricing structure that supports the efforts that segregating waste requires. We are developing a strategic business case for the segregated waste services that we intend to make available to customers for use in their own assessments.

Q20. Will it be possible to send LLW for incineration then for the ash to be sent as VLLW after treatment?

- Kevin O'Connell, GE Healthcare

It is highly possible that this could happen. This will be addressed in our Invitation to Tender for Combustible Wastes and we will address any Duty of Care requirements with the Supply Chain providers.

- Q21.** Would there be a premium for sending metals which would then require sorting and segregating after being sent to LLWR?
- Gerald Blackaller, AWE, Aldermaston

Yes, the service is based on customers sorting and segregating at source. Therefore if we did take mixed consignments of metal, there would be an additional charge for doing this.

- Q22.** The Magnox south sites would like to see some sort of bin system, maybe within a Full Height ISO, so that different wastes can be mixed in one container. For the workers to utilise the service it will need to be simple.
- Alan Shaw, Magnox South

Agreed, our Packaging Solutions project is looking at this type of system that ensures a simple mechanism for segregating and packaging waste. We are looking at what packages best suit this type of system and will be working with customers to identify issues and solutions.

- Q23.** Being a small user we would like smaller packages, we would have problems filling the current fleet.
- Keith Stevens, Nuvia

Agreed, the scale of the current fleet does not necessarily support segregation of smaller volumes. This is also being considered in the Packaging Solutions project. In the mean time, drums or small boxes could be used to consign smaller packages of segregated waste, though this would have to be approved by LLW Repository Ltd before shipment.

- Q24.** Will we be looking at using one supplier for combustables? We would be looking at using more than one supplier to keep our options open.
- Rob Storrie, GE Healthcare

We will be competing the services. In principle, we would like to keep our options open as our aim is to open up routes rather than close them down.

- Q25.** What happens with the exchange rates when sending waste abroad? Will charging be in Pounds/Euros/Dollars?
- Keith Stevens, Nuvia

The initial charge would be between the customer and LLW Repository Ltd and would therefore be in pounds. We will most likely carry the risk on any currency fluctuations. A fixed price would be agreed upfront with the customer before acceptance for onward processing.

- Q26.** BPEOs – Are LLWR looking at putting BPEO templates on the Website?

Our strategic BPEO's will be posted on our website for everyone to utilise and to help with the assessments for using the new services.

- Q27.** When is the Metals Recycling BPEO going on to be post on the LLWR website?

We are looking to post this on our website during March.

Q28. I'm not too sure if the Magnox sites have any room for negotiation on pricing. This will ultimately be up to NDA. I would be happier with a more long term price list. We currently agree with the pricing structure as it is now – i.e. based around the waste hierarchy.

- John Slaughter, Magnox North

We are working with the NDA to develop the new pricing hierarchy. We will issue the draft pricing model for comment to reach common agreement before we take our proposals to NDA for approval.

Q29. We would like some recognition for reducing our waste. We have consistently been reducing our waste coming to the LLWR for the past few years.

- Kevin O'Connell, GE Healthcare

Agreed, there are many great examples of waste segregation taking place all ready.

Q30. The Exemption Order review may lower the exemption limits for specific radionuclides, this could impact on Radium disposals at the LLWR.

- Rob Storrie, GE Healthcare

As detailed in Question 10, we are involved in the Exemption Order review and will continue to keep an eye on developments on that front and how they might impact our services.

Q31. It is important for the MoD to have a longer term pricing structure. A fixed term for the 5 years of the new agreement.

- David Hutchins, Ministry of Defence

We recognise the benefit of having a stable pricing structure to support customer's business planning. We hope that the new agreement will provide this platform.

Q32. It might be better to have an extension for 12 months. It would save on paperwork etc which needs to be approved by NDA (CT-15's, CT-16's, etc). There could be an option to transfer to the new contract once agreed.

- John Slaughter, Magnox North

We agree with this concept and following discussions at the Workshop are proposing a 12 month extension to cover the development and negotiation period for the new contract.

Q33. Need to get the extension out early.

- Kevin Sheppard, Magnox North

We will take this away and discuss the Extension with NDA. Subject to NDA approval, we would be able to have an extension out in the next few weeks.

Q34. For the last contract extension a schedule F had to be submitted for LLWR approval before we had seen the new pricing. This resulted in a reduction in our activity allocation after the new pricing structure was published. We need to know what the pricing is before submitting next time.

- Alan Fisher, UKAEA

The pricing for the extension period would be the same as the current price. For the new contract, we will make sure there is time allowed for submission of allocation requests after the pricing structure has been issued.

Q35. Is there cost recovery within the WAMAC service?

- John Slaughter, Magnox North

Yes, the current pricing model between NDA sites relies on cost recovery for the service provided, therefore WAMAC pricing is based on cost recovery. This led to the increases in price for the October 2008 price model.

Q36. What are your plans for waste tracking?

- Martin King, Magnox South

Our current system is about 10 years old and does not provide for segregated waste services. We have initiated a project to develop a new Waste Tracking System, which will hopefully be web based to support ease of use. We will be working with customers as we develop this project.

Q37. What about expanding the Waste Tracking System for ILW and other wastes?

- Alan Fisher, UKAEA

We currently aren't looking at ILW tracking, but if this system we are looking at can be modified to include ILW, then it might be worth thinking about.

Q38. Would the support services you have talked about, such as analysis, be included within a framework?

- Jim Buckley, Magnox South

Yes, when they are available. As we develop new services, we intend to include them in the new contract. This will hopefully include characterisation, analysis, measurement and other support services.

Q39. Would you be interested in dealing with small volumes of ILW. Are you going to be a one stop shop with your leverage?

- Kevin O'Connell, GE Healthcare

With regard to the one-stop shop, we would look for a model where customers choose to use our services on the basis of quality of service and best value. We will take forward the ILW issue with our contacts in NDA as this related to a specific question regarding GE Healthcare's ILW.

5. Attendees

The following people attended the Customer Contract Workshops:

LLW Repository Ltd: *(Attended both Workshops)*

Chuck Conway, Head of Consignor Support
Jonathan Evans, Service Delivery Manager
Shirley Jackson, Senior Commercial Team Member
Michael Gracey, Service Support Team Member

Penrith Workshop:

Lloyd Pitcairn, LLW Repository Ltd
Clare Harvey, Hammonds
Murdo Murray, Babcock Marine
Dennis Cowan, Babcock Marine
David Hutchinson, Doosan Babcock
John Brammer, Ministry of Defence
Elaine Simpson, Sellafeld Ltd
Michael Ingrams, Sellafeld Ltd

Peter Blount, Sellafeld Ltd
Chris Spence, Sellafeld Ltd
Geraint Barratt, Sellafeld Ltd
Ian Simcock, Sellafeld Ltd (Capenhurst)
Andy Barber, Sellafeld Ltd (Capenhurst)
Diane Browne, Springfields Fuels Ltd
Derek Wolstenholme, Springfields Fuels Ltd
Maria Lindberg, Studsvik UK

Bristol Workshop:

Paul Langham, AWE, Aldermaston
Dougie Hull, AWE, Aldermaston
Gerald Blackaller, AWE, Aldermaston
Dave Langmead, Babcock Marine
Scott Tucker, Babcock Marine
Norman Grieve, British Energy
Steve Gurney, GE Healthcare
Rob Storrie, GE Healthcare
Kevin O'Connell, GE Healthcare
John Slaughter, Magnox North
Kevin Sheppard, Magnox North
Eriks Erdmanis, Magnox North
Jonathan Hawken, Magnox North

Alan Shaw, Magnox South
Jim Buckley, Magnox South
Martin King, Magnox South
Patricia Freestone, Ministry of Defence
Dave Hutchins, Ministry of Defence
Mike Lambden, Ministry of Defence
Keith Stevens, Nuvia
Jed Bonser, UKAEA
Michelle Skelland, UKAEA
Janet Smith, UKAEA
Alan Fisher, UKAEA
Chris Jolliffe, WMT
Richard Simmons, WMT