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CNSC Cost Recovery Program



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Cost Recovery Program
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INTRODUCTION

As Canada's nuclear regulatory agency, the Canadian Nuclear Safety Commission (CNSC) regulates the use of nuclear energy and substances in Canada, to protect health, safety, security and the environment and to respect Canada's international commitments on the peaceful use of nuclear energy. The CNSC regulates all nuclear related activities including nuclear power reactors, non-power reactors, nuclear research and test establishments, uranium mines and mills, uranium refineries, nuclear substance processing facilities, medical and non-medical accelerators, and a wide variety of nuclear substances and prescribed equipment.

The *CNSC Cost Recovery Program* provides an equitable approach to the financing of the CNSC's regulatory activities, by charging the licensees their fair share of the costs of the regulatory regime.

This document provides licensees and other interested groups and individuals, a description of CNSC Cost Recovery Program, explaining the fee structure and the management of the program.

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HISTORY

The Atomic Energy Control Board, the CNSC's predecessor, first introduced licence fees in 1990 and these fees were charged in accordance with the *Atomic Energy Control Board (AECB) Cost Recovery Fees Regulations*. These AECB regulations were last amended in 1996, based on the actual costs for the 1992-1993 fiscal year, and were replaced by the *CNSC Cost Recovery Fees Regulations* on July 1, 2003.

Licence fees are now charged according to the *CNSC Cost Recovery Fees Regulations*, allowing the CNSC to equitably recover the actual cost of regulating the nuclear industry. The *CNSC Cost Recovery Program* describes how the CNSC manages the recovery of its costs.

PROGRAM HIGHLIGHTS

The CNSC Cost Recovery Program:

- allows the CNSC to recover from its fee-paying licensees their portion of the actual cost of regulation;
- encourages and reinforces compliance with the *Nuclear Safety and Control Act (NSCA)*, its regulations and the associated licence conditions, by allowing the CNSC to appropriately charge licensees having good or poor compliance records. This provides a financial incentive to licensees to comply with their regulatory obligations;
- facilitates efficient allocation of CNSC resources, by using the cost information generated as a result of this program;

- promotes transparent and open relationships between the CNSC and its licensees, by sharing regulatory activity plans, and providing upfront fee estimates;
- enables the CNSC to charge fees on an annual basis in order for the costs to be recovered in the year costs are incurred; and,
- applies fees only to those licensees designated as fee-paying; there is no charge for the licensees who are exempt. The costs associated with regulating licensees exempt from paying fees continue to be paid from the general revenues of the Government of Canada.

FEE STRUCTURE

Activity Classification

Recoverable vs. Non-Recoverable Activities

The CNSC reviewed all of its regulatory activities to determine which of its activities should be cost recoverable and which are non-recoverable. This was done by comparing each activity against the appropriate provisions of the NSCA and using federal policy principles.

Recoverable Activities

Recoverable activities are those that provide licensees with tangible benefits, such as the legal right to develop, possess, use, transport and produce nuclear energy or nuclear substances and prescribed equipment. Licensees may also realize economic benefits from CNSC regulatory activities in the form of reduced risks and liability, improved market access for their products and services, enhanced credibility as suppliers and enhanced public confidence in the nuclear industry.

Recoverable activities performed on behalf of exempt licensees will be paid from the general revenues of the Government of Canada.

Recoverable Activities

Activity	Description
Licensing, Certification and Examination	Licensees obtain legal right to operate commercial business
Regulatory Policies, Standards, Guides, Procedures and Notices	Guides and standards written for use by licensees and certificate holders for assistance in meeting regulatory requirements under the NSCA and its regulations
Contract Projects	Contract projects undertaken at the request of an outside entity for the direct benefit of that entity

Non-recoverable activities

Non-recoverable activities are those that are result from CNSC obligations that are carried out regardless of the licensees, such as international obligation and cooperation and the maintenance of legislation and regulations. The costs for these activities are paid from the general revenues of the Government of Canada.

Non-recoverable Activities

Activity	Description
International Obligation and Cooperation	Fulfillment of the federal government's international nuclear policies and obligations
Development and Maintenance of Legislation and Regulations	Development and amendment work to the NSCA and its regulations to protect health, safety, security and the environment and respect Canada's international commitments on the peaceful uses of nuclear energy
Government Cooperation	Sharing information with other federal and provincial bodies including clarification of roles to avoid or reduce regulatory overlap
Information Services	Provision of information to the public

Direct vs. Indirect Activities

The CNSC's activities are classified into two groups:

- Direct activities are those technical activities fully committed to the provision of a regulatory service under the NSCA, such as issuing licences and certificates, inspections and compliance. The costs associated with direct activities include technical labour, employee benefits, operating costs such as travel and professional services, material costs and capital acquisitions.
- Indirect activities represent all activities performed in support of the direct activities, such as management, supervision and technical training, human resources, finance, information technology, and executive management. The costs associated with indirect activities include support labour, employee benefits, operating costs such as travel, professional services, accommodations, equipment, telecommunications, material costs and capital acquisitions.

Fees

Licence fees are calculated to allow the CNSC to recover costs from licensees in the year these costs are incurred and to allow for the recovery of 100 % of the CNSC's recoverable costs.

There are four methods for calculating fees according to the *CNSC Cost Recovery Fees Regulations*:

- Regulatory Activity Plan Fees
- Formula Fees
- Fixed Fees
- Special Projects Fees

Regulatory Activity Plan Fees

Regulatory activity plan fees apply to the major CNSC licences. These are:

- Class I Nuclear Facilities, which include the following:
 - Power Reactors
 - Non-Power Reactors
 - Nuclear Research and Test Establishments
 - High Power Particle Accelerators
 - Uranium Processing Facilities
 - Nuclear Substance Processing Facilities
 - Heavy Water Plants
 - Radioactive Waste Facilities
 - Fusion Facilities
- Uranium Mines and Mills
- Waste Nuclear Substance Activities

The CNSC prepares a regulatory activity plan for each of the major licences. Fees are set for each licence using a method of calculation based on the estimated full cost of their regulatory plan for the next fiscal year.

The following formula is used where:

- Direct costs are charged to the licence or group of licences to which they relate; and
- Indirect costs are charged to a licence or group of licences based on the workload associated with that licence or group of licences. The greater the workload associated with a licence or group of licences, the greater the allocation of indirect costs.

REGULATORY ACTIVITY PLAN FEES

Fee = cost of direct licensing activities + a related portion of indirect activity costs

Formula Fees

Formula fees apply to the following licences:

- Class II Nuclear facilities and prescribed equipment, which include the following:
 - Particle Accelerators
 - Irradiator Facilities
 - Brachytherapy Facilities
 - Radioactive Source Teletherapy Machine Facilities, and
 - Servicing of Class II Prescribed Equipment
- Dosimetry Services; and
- Nuclear Substances and Radiation Devices, except for waste nuclear substance activities

For the purposes of cost recovery, all licences to which formula fees apply were grouped into licence types based on the type of facility or activity. For instance, all medical particle accelerator licences were grouped together and all industrial radiography licences were grouped together. The CNSC workload associated with a licence type, expressed in hours (base and variable), is considered to be the regulatory effort for that licence type. Therefore, the fees calculated, using the following formula, are based on the regulatory effort required.

FORMULA FEES

Fees = [base hours + variable hours] x CNSC hourly rate x compliance coefficient

Definitions:

- **Base hours** are the number of hours required, for each type of licence, to perform application assessments and compliance verification.
- **CNSC hourly rate** is the estimated full cost of all recoverable activities, both direct and indirect activities, divided by the estimated total number of hours the CNSC spends on direct regulatory activities.
- **Variable hours** reflect the additional hours of direct regulatory activity required for a licence as a result of the number of treatment rooms, bunkers, laboratories, other locations, devices, device manufacturers and the number of types of prescribed equipment. Each variable unit must be considered separately and the total amount of additional hours is calculated as the sum of the total: **number of variable units x variable hours/unit**
 - **number of variable units** is the number of rooms, bunkers, laboratories, other locations, devices, device manufacturers and types of prescribed equipment;
 - **variable hours/unit** is the number of variable hours required to perform assessment and compliance activities for each variable unit.

- **Compliance coefficient** adjusts the fee for extra costs incurred due to poor compliance. It reflects the additional hours spent by the CNSC on direct regulatory activities as a result of non-compliance.

Fixed Fees

Fixed fees apply to:

- Exposure device operator certificates
- Radiation device model certificates
- Class II prescribed model of equipment certificates
- Transportation licences except licences to package or transport under special arrangement, and
- Package design certificates except certificates of designs for special form radioactive material.

Fixed fees are set in the *CNSC Cost Recovery Fees Regulations*. This rate is derived from the estimated full cost of undertaking such activities.

Special Project Fees

Special project fees apply to:

- Licences to package or transport under special arrangement
- Certificates of design for special form radioactive material transport
- Information, products or services not identified in the current *Cost Recovery Fees Regulations*
- New types of licences or certificates not identified by the current *Cost Recovery Fees Regulations*

Fees for this work are based on the full cost of the time spent on direct regulatory activities plus any costs for contract work as shown in the formula below.

SPECIAL PROJECT FEES

Fee = (direct regulatory activity hours x CNSC hourly rate) + costs for contract work

Definitions:

- **Direct Regulatory Activity Hours** is the number of hours spent on direct regulatory activities for the special project.

- **CNSC Hourly Rate** is the estimated full cost of all recoverable activities, both direct and indirect activities, divided by the estimated total number of hours the CNSC spends on direct regulatory activities.
- **Costs for Contract Work** are the costs for professional or special services obtained by the CNSC under contract.

Applications for new licence types or certificates, not identified in the current *Cost Recovery Fees Regulations*, are charged special project fees until the regulations are amended to include this new licence or certificate type.

COST RECOVERY PROGRAM MANAGEMENT

Cost Recovery Advisory Group

The Cost Recovery Advisory Group (CRAG) consists of representatives from the different industry sectors that CNSC regulates. This group was established during the consultation process as a means to carry out ongoing consultation with stakeholders. The group was made a permanent body upon the completion of the consultations.

CRAG provides advice to the CNSC for consideration, on matters related to the cost recovery program. The group provides a forum for ongoing communication with stakeholders regarding the CNSC's regulatory activities and resulting fees. This ongoing communication benefits both the CNSC and the stakeholders.

How Fees are Determined and Charged

Fees are determined and charged under the Cost Recovery Fee Program in a way that benefits both the CNSC and the licensee. Through joint planning and the up-front exchange of information:

- The CNSC can receive feedback from licensees; and
- Licensees can see directly what they are being charged for, paying only for the regulatory oversight they receive.

The level of regulatory effort required for each licence or group of licences is based on the risk associated with the type of licence held. CNSC management systems allow managers to accurately track resource use and ensure that resource levels are aligned with high risk areas.

CNSC staff prepares regulatory activity plans for all licences to which regulatory activity plan fees apply (i.e. all major licences). The regulatory activity plan for a facility contains the breakdown of the regulatory effort required for that facility. These plans are shared and discussed with licensees to ensure that they reflect the activities anticipated by their facility. Prior to the start of the fiscal year, licensees are notified of their regulatory activity plan and the

cost associated with that plan. These licensees make quarterly instalments of the estimated fee during the fiscal year in which the regulatory effort is performed.

Over the year, the CNSC tracks the actual time and cost spent on regulating each major nuclear facility. These licensees are provided with information so they may compare the cost of the planned activities to the cost of the actual activities performed. If changes occur in the regulatory activity plan for any facility during the year, the fees for that facility may be re-calculated and adjusted accordingly. At the end of the fiscal year, for each major nuclear facility licence, the actual cost of regulatory effort is compared to the estimated cost. If the licensee has been overcharged, the net difference is either applied to licence fees for the following year or refunded. If the licensee has been undercharged they will be charged the net difference.

For licences to which formula fees apply, before the start of each fiscal year, the base and variable hours and the CNSC hourly rate are published on the CNSC website, along with the compliance coefficients and how to use them in the formulas. With this information, a licensee could calculate their next annual fee. These licensees pay their fees annually on the anniversary date of their licence and their invoices show how their fee has been calculated. These licensees are grouped by licence type and over the year the tracking of the actual time and cost is done as a group.

Base fees are set according to the cost of regulating good performers; licensees requiring extra work due to poor compliance are charged accordingly. The base hours and variable hours are reviewed annually to make sure there is a link between the regulatory effort performed and the fees charged. Fees are appropriately adjusted for the following year by modifying the assigned base or variable hours in the formulae. There is no provision to allow for formula fees or the number of variable units (number of gauges, devices, locations, etc) to be retroactively adjusted during the fee period.

For fixed fee licences or certificates, fees are paid in full upon submission of an application. Fees are refunded only if an application is withdrawn before the CNSC begins assessment of the application.

For special project fees a deposit is made upon application. Further payments are made on a monthly basis. Any remaining balance of the deposit shall be refunded to the applicant or applied to any outstanding charges the applicant may have.

Provision of Information

The Cost Recovery program promotes transparency and more open relationships between the CNSC and its licensees. The level of regulatory effort and cost will be open.

The CNSC has dedicated a web page on its web site to the cost recovery program which is updated on an ongoing basis with relevant current financial information.

Dispute Resolution Mechanism

The CNSC has established two dispute resolution mechanisms, internal to the CNSC.

The first ([Dispute Resolution Mechanism for Fee Administration](#)) will address complaints regarding the administration of fees (i.e. disputes over administrative matters such as the fee or hourly rate values, or number of variable units (number of devices, gauges, locations, etc) found on their invoice).

The other ([Dispute Resolution Mechanism for Regulatory Activity Assignments](#)) will address disputes over regulatory activity assignments through the line management in the CNSC Operations Branch (i.e. disputes over the assignment of CNSC resources and the base and variable hour values in formula fee calculations).