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ICL PATHWAY PROPOSAL

Acceptance

Final version ^{received} ~~sent~~ 9 NOV. from ICL.

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1. Introduction

1.1 This document addresses three key issues relating to Acceptance as proposed by Pathway, which are:

- (i) Revised Acceptance Procedures.
- (ii) Contractual Amendments to streamline Acceptance Procedures and introduce best industry practice.
- (iii) Appointment of an expert to resolve on a fastrack basis any disputes relating to Acceptance and any disputes relating to NR2+.

2. Revised Acceptance Procedures

2.1 The acceptance process for the proposed New Release 2 (NR2) is a continuance of activities giving rise to Acceptance at the end of Live Trial which concludes the Operational Trial Period. It is proposed that this activity be undertaken in two phases as follows:

Phase 1 – Systems Acceptance

This phase covers those Acceptance activities undertaken by "Trial" within the Technical Test and Model Office Test elements of the Acceptance Period.

These tests constitute all the physical testing of product components to show that the systems delivered by Pathway meet the contractual requirements (i.e. product readiness).

It is proposed that these tests should be run up to the start of Live Trial and that at this point successful achievement of Phase 1 by meeting the Acceptance Criteria constitutes Acceptance. However, failure to meet the Acceptance Criteria at this point would not

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enable termination to occur but would start a cure period that runs until the end of Live Trial.

If the Acceptance Criteria for Phase 1 are met prior to the start of Live Trial then Acceptance occurs and the Authorities relinquish rights of termination currently linked to failure to achieve Acceptance. If the Acceptance Criteria are not met at this point Acceptance occurs during the cure period as soon as the Acceptance Criteria have been met and the Authorities relinquish rights of termination currently linked to failure to achieve Acceptance.

Phase 2- Field Service Acceptance

This phase covers those Acceptance activities undertaken by "Review" (these may occur at any time during the Acceptance Period) and by observation of the Live Trial.

These activities complete those defined for Acceptance of NR2 and show the services provided by Pathway meet the contractual requirements (i.e. service readiness).

On completion of these activities and therefore at the end of the Operational Trial national Rollout will start.

Phase I.

Failure to meet the Acceptance Criteria at this stage will lead to the extension of the Live Trial period until they are met. The Live Trial may be extended by a further six months provided that after that period in the event that the Acceptance Criteria have still not been successfully met due to the exclusive default of Pathway, the Authorities shall have the right to terminate the Related Agreements.

Effects of Acceptance at NR2

On Acceptance at NR2 (as outlined above) the Authorities' only right to terminate thereafter will be;

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- for Pathway's default resulting in failure to achieve national Rollout by the contractual date as extended by any period equal to the extension of the Live Trial;
- in accordance with paragraph 3 of the Pathway Funding Paper.

Acceptance Incidents

Acceptance Incidents fall into three categories of deficiencies. The number of incidents in each category allowed to exist for the complete release is inappropriate for the present system which has increased in size and complexity by orders of magnitude since the incidents threshold was set.

The failure criteria allow zero category a) or b) deficiencies and the termination criteria are set at one or more category a) or ten or more category b). It is proposed that the threshold for the categories of deficiencies be re-set as follows:

(i)	Success Criteria	Category	a)	Zero
			b)	up to ten
(ii)	Termination Criteria (Phase 1 Acceptance only)	Category	a)	greater than zero
			b)	greater than ten

It is further proposed that instead of these applying to the complete Release they should apply to the 23 individual components of the system defined by the Acceptance Specifications (i.e. a maximum 230 category b) incidents could occur before termination is invoked as long as no more than 10 exist in a single test stream as defined by an Acceptance Specification).

For success to be valid with category b) faults it would be necessary for agreement to be reached on an operational work round where appropriate and for a plan to exist for implementing the final solution with timescales set on when the business impact becomes unsustainable.

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The work and processes involved in Release Authorisation are to a large extent carried out to reflect "best practice". It is proposed that this practice should be enshrined in the contract but on the following basis:

- (i) The Authorities should not have the right to refuse authorisation for a Release where Pathway recommend it. A Pathway recommendation should be considered as self-certification of its readiness. ✓
- (ii) The appropriate Pathway certification authority should be Pathway Customer Services as this is the organisation responsible for all aspects of the Live Service including the achievement of service levels. ?
- (iii) Exceptions to (i) and (ii) may exist where activities within the scope of Release Authorisation are compatible with principles of Acceptance. The only such area identified to date is software quality. In respect of software quality, the activity of agreeing a Known Problem Register, where problems are accepted as being for resolution after the introduction of a Release or in a subsequent Release, is proposed to continue. This provides business impact analysis of outstanding problems and the development of circumventions as appropriate. The criteria for such analysis are those applied to Acceptance Incidents. ?

- 3.2 In order to assist with the streamlining of the Acceptance Procedures a restriction on the number of approvals, reviews and tests should be reflected in the amended contractual provisions together with the introduction of objective criteria to govern the Acceptance process.

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4. Appointment of Expert – Dispute Resolution

4.1 Experience to date on the Programme suggests that it is almost inevitable that disputes will arise during the Acceptance process. The Related Agreements provide for resolution of technical disputes by an Expert. To facilitate, amongst other things, a streamlining of the Acceptance Procedures for NR2 and acceptance of NR2+ (including the matters referred to in paragraph 3.2 hereof) it is proposed that the parties agree to the immediate appointment of an Independent Expert.

Specifically it is proposed that:

- (i) The Independent Expert shall be Peter Copping (the "Expert") of PA Consulting ("PA"). The Expert shall determine disputes between the parties on a fast track basis and no later than 5 working days of a dispute being referred to him unless otherwise agreed by the parties.
- (ii) Decisions of the Expert shall be final and binding and not subject to appeal. No
- (iii) Any disputes (including any contentious issue that may give rise to a dispute) can be referred to the Expert for his determination under (i) above, with the Expert having full access to all relevant information, but the Expert shall have no direct involvement in the Acceptance process itself or disputes of a non-technical nature. Disputes (and contentious issues) that can be referred to the Expert include:
 - Agreement of Acceptance Specifications
 - Agreement of processes, meeting and review structures established to enable Acceptance
 - Failure of a party to comply to agreed plans and timescales
 - Failure to agree the categorisation or resolution of an Acceptance Incident

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- Failure to agree the outcome of the Acceptance Process

- (iv) The Expert will be free to obtain technical assistance from PA on an "as needed" basis. It is proposed that the technical assistants will be the personnel used by PA in previous audits and reviews of the Horizon Programme.

- (v) The Expert is to report to the Horizon Board, provided that the Board shall have no power to affect in any way whatsoever any decision of the Expert.

9 November 1998