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18 November 1999



Dear Keith

**Acceptance Incident 376**

Thank you for your letter of 5th November 1999. If I may summarise the main point you make, it is that, under the Second Supplemental Agreement (SSA), the question of responsibility for errors causing "Cash Account Discrepancies" is irrelevant to the question of how much POCL is entitled to charge for reporting such discrepancies to Pathway, and to the question of the thresholds which give POCL the right to suspend Roll Out. Many issues arise in relation to this point and I set out below my initial thoughts on the matter, which we can consider in more detail when we meet next week. In summary, whilst I am as keen as you are to avoid nugatory work, I believe that responsibility for errors will ultimately need to be determined to settle this matter. However, I submit that we should aim to ring-fence such considerations so that they do not cloud the assessment of rollout restart or get in the way of essential progress in dealing jointly with Reference Data issues.

Before reaching the point at which responsibility for errors should be determined, it is first necessary to establish whether or not problems reported to Pathway can be properly described as 'Cash Account Discrepancies'. We may have a different interpretation of what this means, and this will become clear from the Acceptance Incident related documentation which by now should have been shared with your Acceptance colleagues. In particular, we hold that the Product 196 problem (which accounts for some 1186 incidents) does not produce Cash Account Discrepancies because the transaction stream sent to TIP was consistent with the Cash Accounts produced in the outlets.

Setting aside the question of what does and what does not constitute a Cash Account Discrepancy, the SSA is, as you say, in large part silent as to the source of those discrepancies. However, that does not mean that the source of the discrepancies is irrelevant for the purposes of the overall contract between us (including the SSA).

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POCL has a number of contractual obligations in relation to the provision of Reference Data to Pathway, of which the following are a few examples.

CAR number 891 (in Schedule A16 of the Codified Agreement) states: "POCL shall...input Reference Data at the central and/or post office levels, and such other levels as may be defined, in accordance with operating procedures agreed with Pathway". I am, of course, aware that the parties have been trying to agree on revised detailed procedures, that CCN496a which attached the relevant draft CCD has been rejected and that the updated draft of the same CCD was recently withdrawn by Pathway for reasons given in John Bennett's letter to Dave Smith of 4 November 1999. However, there are a minimum set of procedures agreed between us for the provision of Reference Data, which are currently relevant for the purposes of POCL performing CAR 891. This is evidenced by the document entitled "Reference Data - POCL/ICL Pathway Operational Level Agreement" (V1.3) which was authored by POCL and signed by both parties on about 28 July 1999. Section 9 of this document sets out the roles and responsibilities of POCL in relation to the provision of Reference Data which include the following:



1. the POCL RDS Operational Team is to ensure that Reference Data is "forwarded to ICL Pathway in an accurate and timely fashion";
2. the POCL "Change Authorisers" are to ensure "that the change information ultimately passed on to the RDS team is accurate, complete and timely" and are required to confirm "the completeness and availability of the Reference Data to Pathway".

Again, the CCD entitled "Application Interface Specification Reference Data to Pathway" (V3.3) (referred to in Schedule G1, paragraph 5.3.2.2, amongst other places) states in section 4.7 "Version Control Rules" that: "The transfer file [provided by POCL] will contain a full set of amendments which when processed by the recipient system will be logically correct with related data present". This CCD (V3.3) relates to the provision of "Type A" Reference Data. There is a similar CCD relating to "Type B" data which contains the same provision.

Any failure by POCL to meet these (and other, e.g. volumetric) obligations should be taken into account when considering Pathway's responsibility to trap errors which may result. It may be that we need to engage further in discussions as to our intentions at the time the various CCNs were signed in September, or as to the effect of one CCN upon another, (as to which I reserve our position), but whether one takes the view that one liability should be set off against the other, or that the cause of the errors should exclude them from computation, the result is the same: we argue that Pathway should not be liable for payments to POCL for the consequence of errors generated in the first instance by POCL. The same logic applies to remedies associated with help desk service levels where calls are a direct result of such errors (and there may be a case for recovery of costs).

With respect to the criteria for judging AI 376 from the standpoint of whether or not rollout should restart on 24<sup>th</sup> January, we do not propose that the Reference Data issue be excluded from consideration (quite the reverse). However, we will put the case for looking at AI 376 in a manner which is consistent with the way the issue was perceived during the Live Trial, and whether or not the targets have been achieved on that basis. With the moratorium which existed at that time on Reference Data releases, we will argue that Reference Data generated errors represent a new and important issue, but one which is outside that originally comprehended. The key question is: have we jointly identified the root causes of the problems and have we jointly addressed them sufficiently to de-risk the operational consequences of failure on a larger estate? I believe the consensus is that real progress is now being made in this regard, which is good news.

**ICL**

The above is the short version of where we are coming from. I expect that we will need to explore each of the points further at our meeting on 23 November. However, I am firmly of the view that any dispute between us as to payment required for the TIP Integrity Checking Process should not distract us from the main task at this time which, as I see it, is to agree detailed operating procedures, and to precisely define each party's obligations in relation to the provision and receipt of Reference Data for the future.

I hope that we can agree on this separation, and look forward to further dialogue next week.

Yours sincerely

**GRO**

Tony Oppenheim