

PA Consulting
Group

123 Buckingham Palace Road
London SW1W 9SR

Telephone: GRO

Telex: GRO

Facsimile: GRO

Peter Copping

Group Head

Computers and Telecommunications

Direct Telephone: GRO

Direct Facsimile:

E-mail: Peter.Copping GRO

loneah/pjc/eah1597
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Mr David Miller
General Manager Horizon Implementation Programme
Post Office Counters Limited
King Edward Building
King Edward Street
London EC1A 1AA

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Dear David, PJC 20/10/98 -

We have been having some private thoughts about how the parties might break out from the potential impasse on acceptance. These thoughts have only been pursued at the 'framework' level and I thought you might like sight of the paper, because it seems it is only the HPO that might be able to use it right now. Pleased to discuss, pursue with you or your team or whatever.

With kind regards

GRO

P J Copping
Member of the Management Group-PA

PA Consulting Services Ltd
Registered No: 414220 England
Registered Office:

GRO

Mr David Miller
eah1597

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19/10/98**Acceptance testing: a framework for developing a new paradigm.****Problem definition.**

Sponsors and Pathway have agreed to de-risk the programme by decoupling card roll-out from NR2 and to base NRO on child benefit and EPOSS only until NR2+ is available, when multi-benefit roll-out starts. This new sequence raises a legitimate question whether an alternative acceptance process can be designed that protects the commercial objectives of the parties and which at the same time reflects the status of the revised programme at completion of MOT and, at completion of Live Trial. Additionally, the acceptance process for any requirement to be delivered during NRO (eg. EVP) would need to be included in any new approach.

Complication.

Acceptance relies not only on having acceptance specifications approved but also on the parties' agreement on testing criteria and, the consequences of acceptance. At present, whilst the parties have agreed to accelerate the process leading to agreement of test specifications, they have not found it possible to agree either the criteria for acceptance or the consequences of acceptance at the key programme milestones noted above. As PA understands it, there is a gap between sponsors and Pathway over the meaning of acceptance at completion of MOT and, at completion of Live Trial. Without agreement on what acceptance is and means at these key points it seems inevitable that acceptance might never be achieved.

A new framework for acceptance is needed.

Given the difficulties in resolving these issues based on the present approach it seems to PA that a new paradigm for acceptance is needed.

And would
then own it
(PA is this right?)

In a standard 'supply' arrangement for software development, industry norms would tend to suggest that at completion of the testing of software functionality, payments to the contractor would amount typically to 70 to 80% of the contract value. Payment of the balance would require the customer to be satisfied that the software is fit for purpose from a business perspective. Any rework found necessary in this latter process is at the contractors expense, unless such rework is needed to satisfy a revised or additional business requirement (i.e. a change request).

Taking this rough analogy into the BA/POCL situation, the MOT process is essentially about discovering whether the Pathway software provides the functionality specified in the requirements. The balance of probability, given the effort that has been put into specifying what Pathway is to deliver for MOT, is that the software will work and that to accept it conditionally and proceed with Live Trial, even with some remaining hangouts, could be a sensible and pragmatic proposition. In Live Trial the attention is on whether that functionality meets the business need; i.e. are the services that are specified supported and, do they fit the business process? It seems reasonable to forecast that the Live Trial will identify some areas of rework; so any functional hangouts from MOT could be swept up in that process, so that full acceptance would follow at completion of Live Trial.

So acceptance at MOT stage could be based on criteria designed to test the functionality of the software and, acceptance at Live Trial stage could be based on criteria designed to test that the services required are provided and fit the business requirement.

Mr David Miller
eah1597

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The question then is how to deal with Pathway's commercial desire for sponsors' termination rights to be removed as early as possible in the acceptance process in order to have the assurance that in continuing to invest in developing outstanding functionality they will not be destroying value and, the inevitable desire of sponsors to hold onto termination rights until such time as they are satisfied their requirements have been fully met and, that additional development work yet to be tested is actually creating value.

It seems to us that a commercial solution could be devised based on a combination of conditional acceptance at completion of MOT and a change to the remuneration arrangements for Pathway following commencement of NRO, where Pathway only receive a proportion of the revenues that would otherwise flow if there are rework items still outstanding from both testing processes. Simply put, sponsors would give up termination rights on acceptance following MOT in exchange for the option of being able to have more punitive SLA's following the start of NRO, should the system fail to meet acceptance criteria in Live Trial. Similar arrangements could be put in place for future releases of functionality/services.

Next steps.

Best approach could well be for PA to continue to support the HPO, working with sponsors and Pathway to facilitate a practical solution within this framework. This is a not insubstantial task which will require several weeks if not months to complete, but which if resolved in the context of a new commercial agreement, will take a major show-stopper off the agenda.