



IBM Software Group

# IBM System z™ zSSR Core Selling Software Licensing and Pricing July 2008

David Chase  
dchase@us.ibm.com  
Worldwide System z Software Sales  
<http://ibm.com/zseries/swprice>



@business on demand software

# Changes to S&S Refund Rule in the US

## S&S Contract Terms Being Updated

- **Our original S&S terms say that we charge for 12 months of service in advance and we do not give refunds for S&S contracts cancelled prior to their expiration at the end of that 12 month period.**
- **IBM is incorporated in New York State, and NY has a law on the books involving the authorization and the "auto-renewal" of a service.**
- **IBM's lawyers have determined that this law also applies to our IPLA Subscription & Support (S&S) agreements.**
- **The good news is that the terms of the law are pretty specific and we do not expect that there will be any significant affect upon our S&S business, but we must be aware of the possibility.**

## S&S Contract Terms Being Updated (cont'd)

- **The law says (in layman's terms)**
  - ▶ If a customer's service renews automatically and the customer did not pro-actively say that they wanted it to renew, then if they later decide to cancel the service they must be given a pro-rated credit back for the "unused" portion of the service. However this term is not in effect if the customer gave the service provider an affirmative statement of the intent to renew.
  
- **What this means to us and our S&S rules is the following:**
  - ▶ CSO normally contacts customers a couple of times before an S&S is about to renew.
  - ▶ If the customer responds positively saying that they want to renew then this does not count as an "auto-renewal" under the law and the credit for cancellation is not required.
  - ▶ Similarly, ELAs or pre-submitted POs have the same effect as an affirmative statement of the intent to renew, so those situations also do not fall under the auto-renewal regulation.
  - ▶ These terms do not apply to the initial 12-month term of a new S&S because that is a new order and thus not a renewal at all.

## S&S Contract Terms Being Updated (cont'd)

- **If a customer has not explicitly given their approval to renew prior to the auto-renewal then this situation does fall under the auto-renewal law.**
  - ▶ This customer could choose to cancel S&S later on and would be entitled to a pro-rated credit back for the rest of the term.
  - ▶ Our normal full-month billing rules would be used to calculate the credit.
  - ▶ CSO has a procedure in place to check whether or not a pre-approval to renew was supplied if the customer asks for the credit.
  
- **Bottom line:**
  - ▶ Under very specific circumstances customers in the US may be eligible for a partial credit back if they cancel an S&S, but only if that S&S falls under the limited terms of the auto-renewal part of the NY law.

# WorkLoad Pricer Support for FWLC Change

## WLP Support for FWLC Price Increase

- On May 6, 2008 Announcement Letter 308-775 informed us of an upcoming FWLC Price Change in the Americas
- Prices for FWLC products will be going up as of October 1, 2008
- As of July 1<sup>st</sup> WorkLoad Pricer development has provided a “Proposed” price file in addition to the “Current” price file – you need to download both if you want them!
  - ▶ <http://wlpricer.ibm.com/wlpininstall.html>

**Price File With Current Prices.** Select your location from the following drop-down list. Click Download Now or Send by E-mail and follow the instructions. Prior to running the application, you must install the price file update.

Select a location



Download Now

Send by E-mail

**Price File with Proposed Prices.** This price file supports the increases in monthly Flat Workload License Charges (FWLC) on selected IBM System z software products for US that has a billing effective date of October 1, 2008. Refer to ALET #308-775 for details. Select your location from the following drop-down list. Click Download Now or Send by E-mail and follow the instructions. Prior to running the application, you must install the price file update.

Select a location

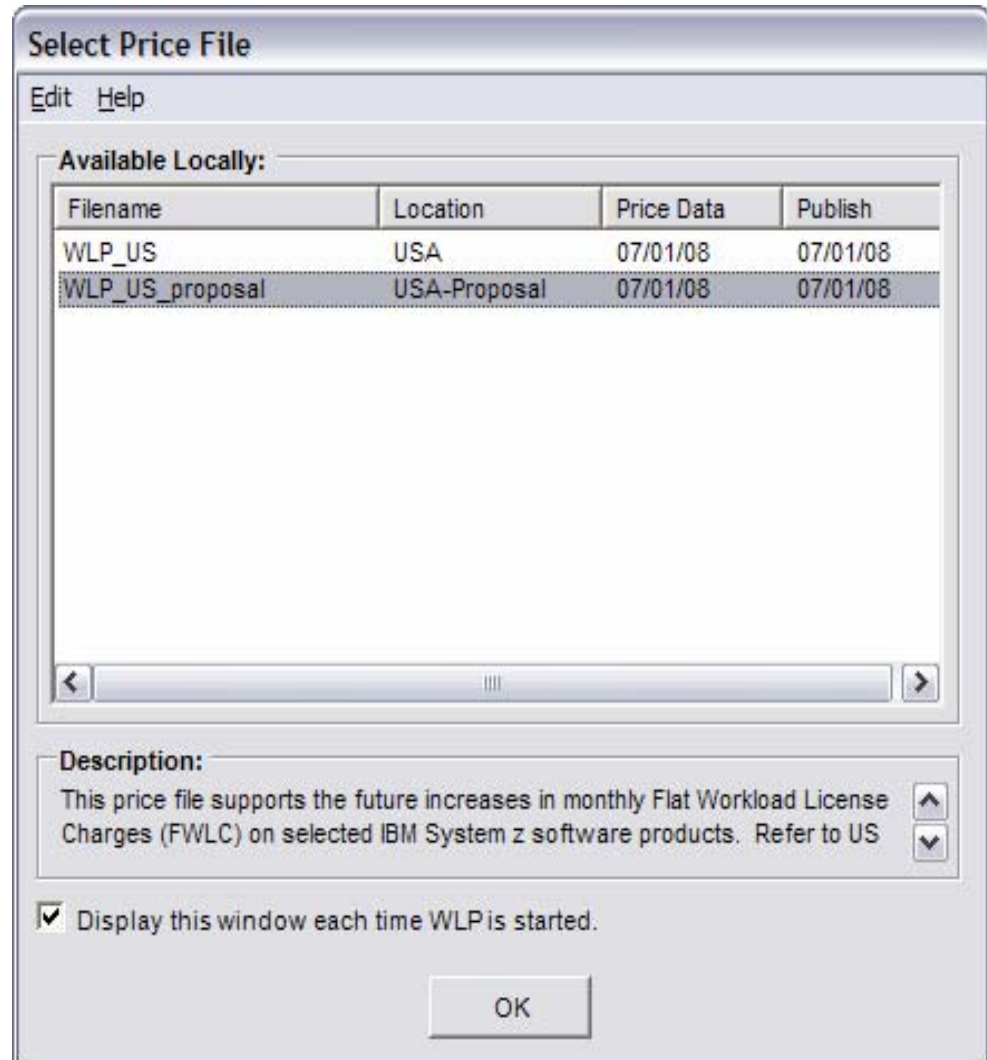


Download Now

Send by E-mail

## WLP Support for FWLC Price Increase (cont'd)

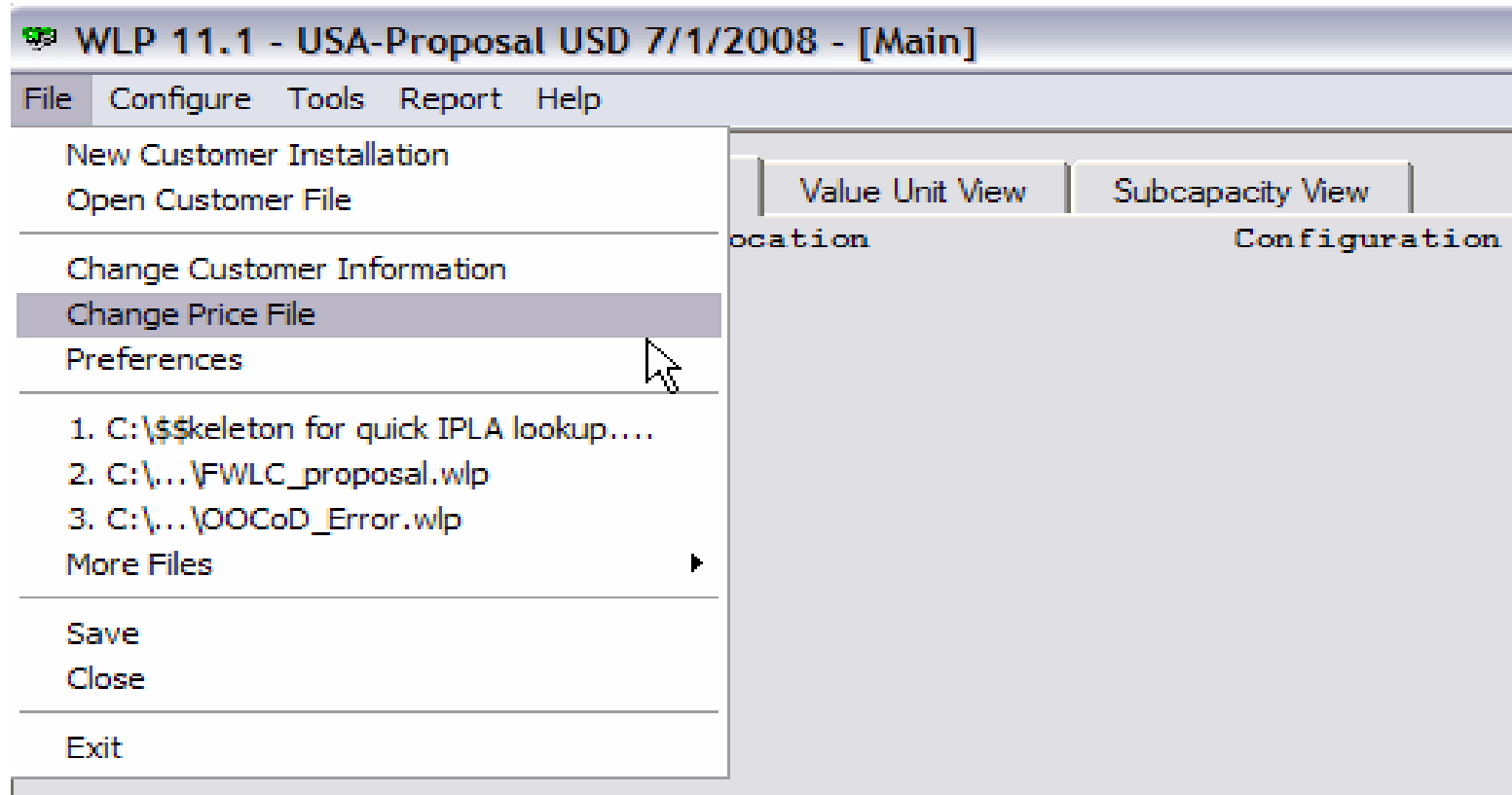
- Many of you have probably not used more than one WLP price file before
- When you start up WLP you will be asked which price file you want to use:





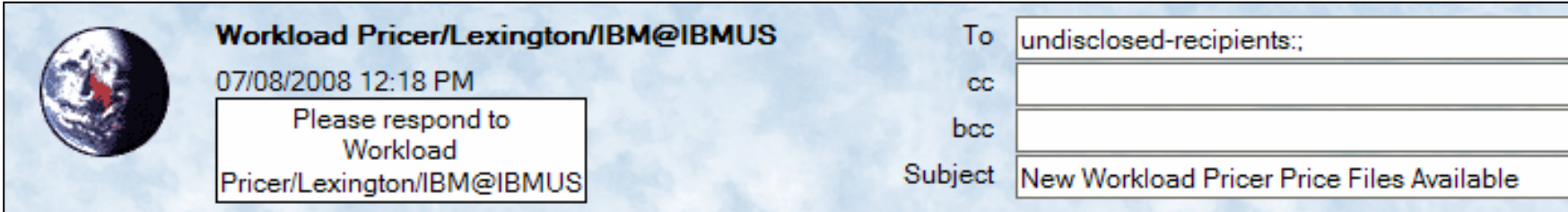
## WLP Support for FWLC Price Increase (cont'd)

- If you want to change the price file from inside WLP:



## WLP Notification of Changes

- The pointer to the “What’s New” page is in the email you get whenever the price file gets updated:



The email header shows a globe icon on the left. The sender is Workload Pricer/Lexington/IBM@IBMUS, dated 07/08/2008 12:18 PM. A box highlights the instruction: "Please respond to Workload Pricer/Lexington/IBM@IBMUS". The recipient list includes "undisclosed-recipients:", and the subject is "New Workload Pricer Price Files Available".

-----Workload Pricer Instant Notification-----

New Workload Pricer location-specific price files are now available for download!

To upgrade your existing price files, please visit the Workload Pricer install page at <http://wlpricer.ibm.com/wlpinstall.html>, choose your location from those listed, then choose to either immediately download from the site or have the file sent to you by e-mail.

To see the latest news about Workload Pricer, please visit <http://wlpricer.ibm.com/whatsnew.html>.

-----

# WLP What's New includes What is Coming

- The “Sunset Notice” section tells you what will be removed in the future:

## Workload Pricer Tool Version 11.0

February 26, 2008

V11.0 provides proposal pricing in support of the February 26, 2008 announcement of IBM System z10 Enterprise Class hardware. All users must upgrade to V11.0 to use the latest price files. Only price files dated 02/26/2008 or later may be used with V11.0.

Key enhancements include:

- Addition of IBM System z10 Enterprise Class machines within the Hardware Catalog.
- Support for PSLC or WLC pricing of software on the IBM System z10 Enterprise Class machines.
- Expansion of Custom Report capabilities to include additional IPLA Software columns.
- Modifications to Copy Software to also copy subcapacity values for the software.
- Miscellaneous improvements.

Sunset notice:

- The Price Matrix Report menu item will be removed later this year with Workload Pricer V11.1. Users should use the Configuration Report filter located on the Custom Report window to generate a Price Matrix Report.

# WLP Latest What's New

- The “Sunset Notice” section tells you what will be removed in the future:

## Workload Pricer Tool Version 11.1

May 20, 2008

V11.1 provides pre-Sales support of Trade-Up pricing options for IPLA Software. All users must upgrade to V11.1 to use the latest price files. Only price files dated 05/20/2008 or later may be used with V11.1.

Key enhancements include:

- Addition of trade-up options on Software Details and trade-up details to a Custom Report.
- Introduction of a tool Preferences window, currently for user-control of price formatting.
- Miscellaneous improvements.

Sunset delayed:

- Continuation of the Price Matrix Report menu item. The Price Matrix report continues to be available temporarily. Users should immediately begin using the Configuration Report through the Custom Report window Configuration Report filter.

Additional information:

- Edge On Demand now offers a new customer inventory report made specifically for loading into Workload Pricer. The WLPricer Inventory Data Load report is available for download through Edge On Demand. (Remember to rename the file extension of the report from ".csv" to ".wlp" before opening with Workload Pricer.) Refer to Edge On Demand for additional details.

# Quick zNALC Review

## Qualified Applications Today

- **See the zNALC website**
  - ▶ <http://ibm.com/zseries/swprice/znalc.html>
- **This is a list of examples of approved Qualified Applications, it is in no way an exhaustive list:**
  - ▶ DB2 for z/OS in support of SAP from SAP AG
  - ▶ DB2 for z/OS in support of PeopleSoft from Oracle
  - ▶ DB2 for z/OS in support of Siebel from Oracle
  - ▶ Lotus Domino for z/OS
  - ▶ BASE24-eps from ACI Worldwide
  - ▶ more will be added over time
- **If you already have one of these applications, then just contact your IBM representative to see what your System z New Application License Charge (zNALC) charges for z/OS will be for that application LPAR.**

# How to Qualify Applications

- **See the zNALC website**
  - ▶ <http://ibm.com/zseries/swprice/znalc.html>
  
- **Describe the application and submit it to IBM for review via your IBM sales representative or Business Partner, including:**
  - ▶ 1) Name of the application and a short description of its business purpose
  
  - ▶ 2a) If the business application is commercially available from a vendor, please supply:
    - *Vendor name*
    - *Application website*
    - *Short description of the application, specifically is it:*
      - a commercially available application that is supported on z/OS, UNIX, Microsoft Windows, and/or Linux, and is currently running on z/OS; or is it
      - a commercially available application running on z/OS, UNIX, Windows, and/or Linux that accesses data on z/OS (for example DB2 for z/OS over DRDA via TCP/IP connection)
  
  - ▶ - OR -

## How to Qualify Applications (continued)

- **Describe the application and submit it to IBM for review via your IBM sales representative or Business Partner, including:**
  - ▶ 2b) If the business application is developed in-house, please supply:
    - *What the business function implemented by this application is*
    - *Whether the application is currently running on z/OS*
    - *What application development tools were used (for example WebSphere Application Server, or equivalent)*
    - *What application languages were used*
  - ▶ 3) In all cases, confirm that the application (or the database server in support of the application) is running in a z/OS LPAR that contains only programs related to the proposed new workload.
- Your IBM sales representative or Business Partner will contact you with the status of your application qualification and provide information about your z/OS pricing.



# zNALC Requirements

## ▪ Customer Must

- ▶ Install z/Arch Hardware (z10, z9, zSeries)
- ▶ Run zNALC Qualifying Workload (SAP, WebSphere, etc.)
- ▶ Submit Annual zNALC “Certification” Document
- ▶ Have WLC or EWLC Pricing for their Middleware
- ▶ Agree to Allow IBM Auditing (Call Home and On-Site)
- ▶ For Sub-Capacity Machines Only:
  - *Submit Standard Sub-Capacity Reports*
  - *Name zNALC LPARs According to Naming Convention ‘ZNALxxxx’*
    - **OR use new “LICENSE=zNALC” IPL Parameter**
    - **Implemented by APAR OA20314 on z/OS V1.6 or higher**
  - *zNALC license not available until after SCRT report received w/zNALC LPARs*

## ▪ For more information:

- ▶ For zNALC see <http://ibm.com/zseries/swprice/znalc.html>
- ▶ For SCRT see <http://ibm.com/zseries/swprice/scrt/>

# Future Compliance Topics

# Potential Compliance Things for the Future

- **First we all need to agree that what I am about to discuss is NOT ANNOUNCED and therefore you MUST NOT DISCUSS these things with your customers!!**
- **If you don't think you will be able to agree to this then you are free to leave so you won't be tempted to spill the beans!**

## Potential Compliance Things for the Future

- **It is likely that we will see a compliance tool implemented in the future which is very similar to SCRT but will be required for full capacity customers. Currently referred to as the “full cap tool”.**
  - ▶ It is not yet determined how the requirement will be implemented, so we do not know at this point exactly which customers will be required to use this new tool.
  - ▶ Don't be surprised if it is required for customers receiving Special Bids.
  - ▶ Don't be surprised if it is required for other customers in other situations.
- **It is likely that we will be requiring customers to explain anomalies in SCRT reports such as LPARs which are not reporting any data.**
  - ▶ If it is a Linux or VM LPAR, for instance, then that is fine
  - ▶ If it is a z/OS LPAR being used for “testing” that is not fine
- **The LMS website will be enhanced in concert with SCRT and the “full cap tool” to require comments where necessary.**

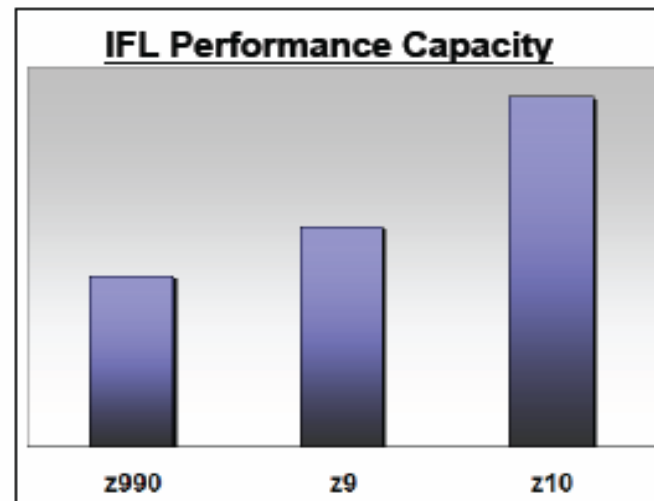
# Distributed Sub-Capacity Update

## Distributed Sub-capacity – News from June 18, 2008

- **Original distributed sub-capacity process is changed:**
  - ▶ New IBM License Metric Tool V7.1 (ILMT) will report upon all PVU (processor value unit) based software, not only sub-capacity eligible
    - *Tool measures the maximum processor core capacity in PVUs available to each software program*
  - ▶ Previously announced suspension of the use of the tool is now revoked, use of IBM License Metric Tool is now required for sub-capacity licensing with some exceptions:
    - *Not required for virtualization technologies not yet supported by the tool*
    - *Not required if customer has less than 1,000 employees and contractors worldwide, **unless** they are a Service Provider, or have contracted with a Service Provider to manage their sub-capacity server environment*
    - *Not required if the total physical capacity of customer's servers with sub-capacity licensing is less than 1,000 PVUs at full capacity, or if licensed at full capacity*
  - ▶ When IBM License Metric Tool is not required, customers must maintain documentation for at least two years, reconciled at least quarterly, to demonstrate on-going compliance with the terms of the sub-capacity offering

## z10 Integrated Facility for Linux (IFL) Highlights

- z10 hardware technology is the next generation of the System z server technology replacing z9 and z990
- Up to 60% performance capacity increase over z9 technology
  - ▶ Up to 100% increase over z990
  - ▶ Fewer IFLs needed for equivalent workload
- Processor Value Unit (PVU) Licensing for Passport Advantage middleware on IFLs
  - ▶ Each z10 IFL requires 120 PVUs
    - Same PVU requirement as for IBM POWER6 processor cores
  - ▶ z9 and prior hardware continues to require 100 PVUs



# Price / Performance Comparison\*

- Assuming Equivalent Software Workload:

z990 IFL		
System z990	PVUs per IFL	PVU Licenses Required
32 IFLs	100	<b>3,200</b>

**Vs.**

z10 IFL		
System z10	PVUs per IFL	PVU Licenses Required
16 IFLs	120	<b>1,920</b>

% Software Price / Performance Advantage: (equivalent workload)

**+40%**

PVUs required for same workload:

- ✓ z10 = 1920 PVUs
- ✓ z990 = 3200 PVUs

**z10 has 40% SW price/performance advantage over z990**

z9 IFL		
System z9	PVUs per IFL	PVU Licenses Required
26 IFLs	100	<b>2,600</b>

**Vs.**

z10 IFL		
System z10	PVUs per IFL	PVU Licenses Required
16 IFLs	120	<b>1,920</b>

% Software Price / Performance Advantage: (equivalent workload)

**+26%**

PVUs required for same workload:

- ✓ z10 = 1920 PVUs
- ✓ z9 = 2600 PVUs

**z10 has 26% SW price/performance advantage over z9**

\*Estimates based on IBM Internal Benchmarks

For Educational Purposes Only - IBM Internal Use Only



# MLC Charges Timeline

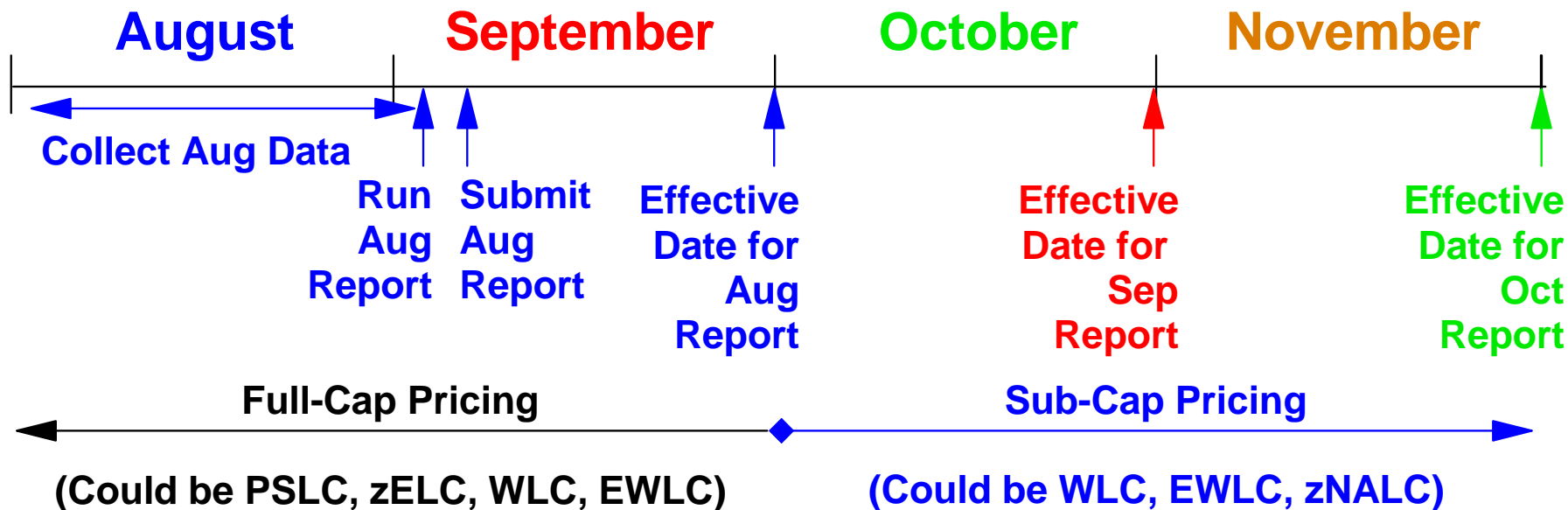
# MLC Software Billing

- **The IBM Customer Agreement (ICA) and its Attachments govern MLC Terms and Conditions.**
- **Software under the ICA is Designated to a particular machine/serial.**
- **On the 1<sup>st</sup> of each month we send a bill for the software licensed to that machine. The license gives the customer the right to run that software (IBM's intellectual property) on that machine for that month.**
  - ▶ The amount of money they pay is based upon the software inventory on the 1<sup>st</sup> of the month.
  - ▶ For example, this means that they pay July's software bill on July 1<sup>st</sup> for the right to run the licensed software during the month of July.
- **Sub-Capacity terms and conditions do not change this basic rule!**

# Sub-Capacity Machine Implementation Timeline

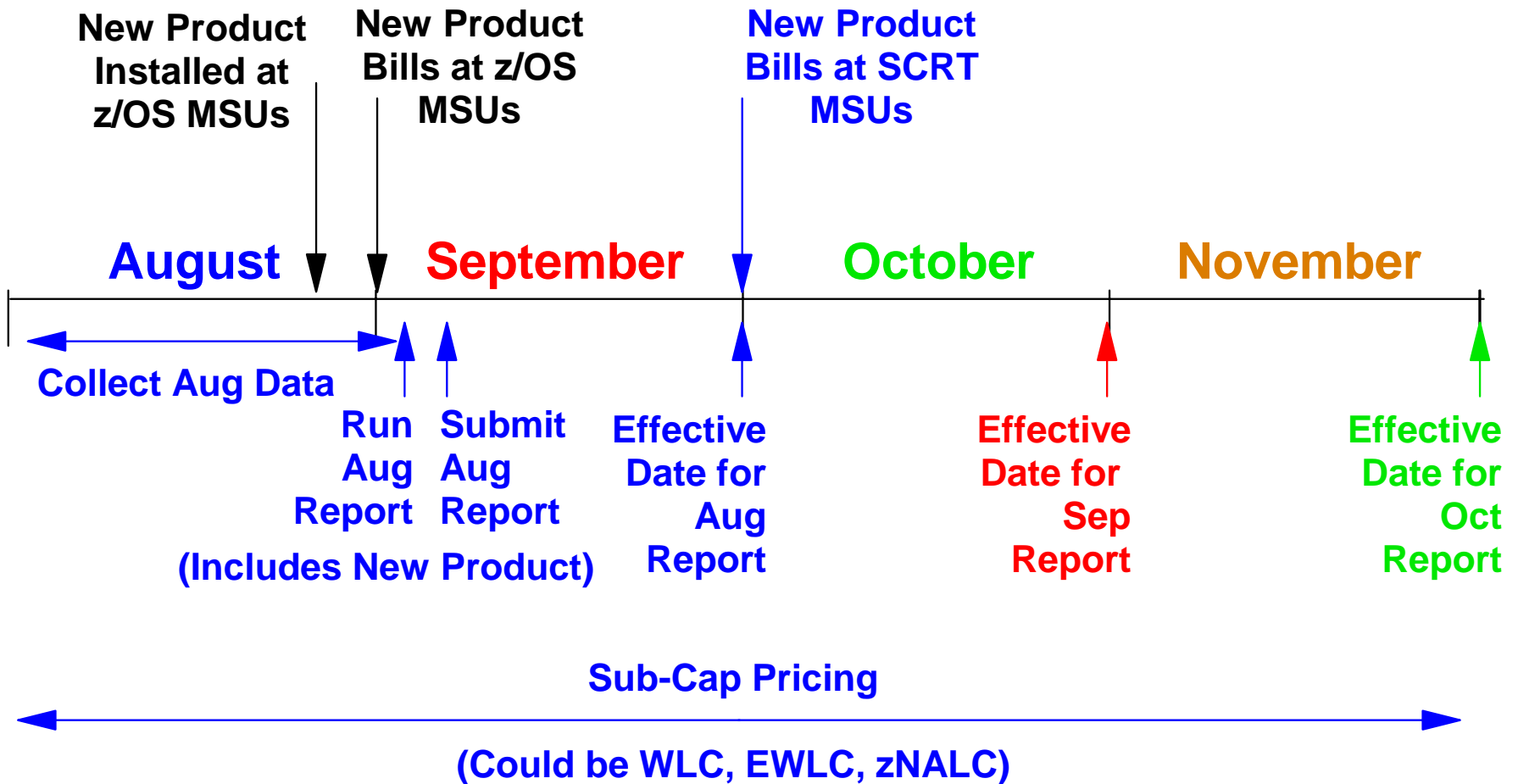
This is for a machine adopting sub-capacity for the first time.

Aug Sub-Cap Report (Aug 2 – Sept 1) must be submitted to IBM by Sept 9<sup>th</sup> - - effective on Oct 1st



# Implementation Timeline for a New Product

This is for a machine already on sub-capacity adding a new product.



## Visit the System z Software Pricing Website

<http://ibm.com/zseries/swprice>