Tailored Fit Pricing for IBM Z delivers simple, flexible, and predictable cloud-like pricing, with economies of scale for all workloads on IBM z/OS

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At a glance

Tailored Fit Pricing for IBM Z(R) is a transformational pricing option for IBM Z software. It offers simple, transparent, and predictable pricing for IBM Z software running on the z/OS(R) platform within a given country.

Tailored Fit Pricing introduces two comprehensive alternatives to the Rolling 4 Hour Average (R4HA)-based pricing model, for both new and existing workloads:

- The Enterprise Consumption Solution is a tailored consumption-based licensing model.
- The Enterprise Capacity Solution is a tailored full-capacity licensing model.

Both models dramatically simplify the existing pricing landscape, delivering flexible deployment options that are tailored to reflect the client's individual environments.

Both models include additional capacity for development and test environments as well as reduced pricing for all types of workload growth.

Overview

In the era of hybrid cloud, where everything is connected and workload patterns are constantly changing, predicting demand for IT services can be a major challenge.

Tailored Fit Pricing for IBM Z is designed to deliver unmatched simplicity, transparency, and predictability of pricing, even in the constantly evolving era of hybrid cloud.

Tailored Fit Pricing for IBM Z

Tailored Fit Pricing introduces the Enterprise Consumption Solution and Enterprise Capacity Solution licensing models. Both models are comprehensive, transformational alternatives to the Rolling 4-Hour Average (R4HA)-based sub-capacity model. Tailored Fit Pricing removes the constraints of sysplex aggregation rules and many of the limitations of previous reporting methodologies.

Tailored Fit Pricing removes the need for complex and restrictive capping, which typically weakens responsiveness and can impact service level availability. Systems can now be configured to support optimal response times and service level agreements, rather than artificially slowing down workloads to manage software licensing costs.

Tailored Fit Pricing is designed for clients with IBM Z as a strategic growth platform for their business.

Highlights of both models include:

- Licensing models that remove the need for capping to manage costs, enabling clients to take full advantage of the hardware they own
- Increased capacity for development and test (DevTest) environments, enabling clients to dramatically increase DevTest activities
- Aggressive pricing for all types of workload growth, without requiring additional approvals, or additional tagging and tracking

Enterprise Consumption Solution

The Enterprise Consumption Solution is a tailored usage-based pricing model, where compute is measured on a per-MSU consumed basis. MSU consumption is aggregated hourly, providing a measurement system that better reflects actual system utilization.

Charges are based on the total MSUs consumed annually, which greatly assists clients with seasonal workload pattern variations. Charging based on total MSUs consumed removes the need for manual or automated capping, allowing systems to be configured to support optimal response times and service level agreements.

Highlights of the Enterprise Consumption Solution include:

- Committed per-MSU consumed licensing simplifies pricing and removes the need for capping.
- Annual MSU entitlements allow seasonal variations to be smoothed over a full 12-month period.
- Aggressive growth pricing for all MSU consumption above a committed baseline.

The Enterprise Consumption Solution is an alternative to a R4HA-based pricing model for all production workloads, whether new, existing, or growth. This greatly improves deployment flexibility, without the requirement for LPAR level micromanagement of IBM(R) program usage.

The Enterprise Consumption Solution offers price predictability and flexibility for clients who rely on IBM Z for their mission-critical workloads. It is offered in conjunction with the Application Development and Test Solution to deliver a comprehensive end-to-end pricing solution for all stages of the application lifecycle.

Enterprise Capacity Solution

The Enterprise Capacity Solution is a tailored full-capacity licensing model, offering the maximum level of cost predictability. Charges are referenced to the overall size of the physical environment. Charges are calculated based on the estimated mix of workloads running, while providing the flexibility to vary actual usage across workloads. Charges include increased capacity for development and test environments and reduced pricing for all types of workload growth.

Charging based on the overall size of the physical environment removes the need for manual or automated capping, allowing systems to be configured to support optimal response times and service level agreements.

Highlights of the Enterprise Capacity Solution include:

- Simplest available pricing, with fixed monthly costs covering the full capacity of the enterprise
- Flexibility to reconfigure technical environments within the full capacity without changes to licensing requirements or pricing
- Allowance for aggressive growth pricing for new and existing applications
- Allowance for substantially increased DevTest capacity

The Enterprise Capacity Solution is an alternative to a R4HA-based pricing model for all workloads, whether new, existing, or growth. This model allows for maximum deployment flexibility, without the requirement for LPAR level micromanagement of IBM software program usage.

The Enterprise Capacity Solution offers the maximum level of price predictability and financial certainty for clients who rely on IBM Z for their mission-critical workloads. As a highly customized offering, it may be combined with other IBM Z hardware and software offerings, such as Linux(R) on IBM Z.

Enterprise Solution License Charges

Enterprise Solution License Charges (ESLC) are a new type of Monthly License Charge (MLC) pricing methodology for Enterprise Solutions that are tailored to a client's individual environments and requirements.

Changes to Container Pricing for IBM Z offerings

The Container Pricing for IBM Z name will change to Tailored Fit Pricing for IBM Z. The IBM Application Development and Test Solution and the IBM New Application Solution that were previously introduced under the Container Pricing for IBM Z name, are now offered under the Tailored Fit Pricing for IBM Z name.

Key prerequisites

The key requirements for Tailored Fit Pricing for IBM Z Enterprise Solutions include:

- Minimum hardware: all machines must be IBM z14(TM) Models M01-M05 or z14 Model ZR1.
- IBM z/OS V2.2, or later, operating system.
- Additional requirements for Enterprise Consumption Solutions include:
  - Use of the IBM Sub-Capacity Reporting Tool (SCRT) V27.1.0, or later, according to the requirements and guidelines in the SCRT Users Guide.
  - Use of SCRT for each reporting period and submission of the resulting SCRT report to IBM monthly.
  - Use of unique solution IDs that are provided by IBM or the IBM License Management Support (LMS) website.
  - Where a production system is deployed to a z/OS system that runs as a z/VM(R) guest, RMF Monitor I gatherer option VMGUEST to be specified.

The key requirements for the Application Development and Test Solution and the New Application Solution remain unchanged. For requirements, see the announcement letters in the Reference information section.

Planned availability date

June 21, 2019

Description

The Enterprise Consumption Solution and the Enterprise Capacity Solution are IBM priced offerings that are tailored to a client's individual environments and requirements. Selecting these offerings transitions a client's existing pricing structure to a new Tailored Fit Pricing model, which includes the establishment of MLC and MSU baselines. The standard features of these offerings are outlined below; however, clients should contact their sales team to understand in more detail how these offerings can be tailored to benefit them.

Eligibility requirements

The Enterprise Consumption Solution and the Enterprise Capacity Solution require all machines to be IBM z14 Models M01-M05 or z14 Model ZR1, throughout the enterprise. For the purposes of the Tailored Fit Pricing for IBM Z solution, an *enterprise* is defined as any legal entity, and the subsidiaries it owns by more than 50%, within a single country. Clients may have only one Enterprise Consumption Solution or one Enterprise Capacity Solution per country, and these solutions may not span country borders.

Clients that are outsourcing service providers are not eligible for the Enterprise Consumption Solution or Enterprise Capacity Solution offerings.

Enterprise Consumption Solution

The Enterprise Consumption Solution is a tailored usage-based pricing model, where compute is measured on a transparent per-MSU consumed basis.

MSU consumption

MSUs consumed are aggregated hourly, providing a measurement system that better reflects actual system utilization. Licensing and associated charges are based on MSUs consumed across the enterprise, helping clients to maintain predictability of pricing even when the workload demands are unpredictable.

As an example, if the MSUs consumed over a 3-hour period were 100 in hour 1, 250 in hour 2, and 150 in hour 3, the number of billable MSUs consumed for that 3-hour period would be 500. MSUs continue to be aggregated this way across the entire reporting period.

Calculating the MSU and MLC baselines

The MSU baseline is set according to the previous 12 months' MSU consumption usage, as reported in the N7 section of the Sub-Capacity Reporting Tool (SCRT) plus any MSU growth commitment.

As an example, if the total number of MSUs consumed for the production workload over the previous 12 months was 1,200,000 MSUs consumed, with a growth commitment of 24,000 MSUs, then the minimum annual baseline commitment would be 1,224,000 MSUs consumed.

The MLC baseline charges are set according to the previous 12 months' charges for the IBM sub-capacity MLC programs, plus any growth commitment. The previous 12 months' charges are based on entitled pricing at the time, subject to announced price changes and currently applicable Technology Transition Offering. The MLC charges for committed MSU growth are based on aggressive growth pricing.

Annual MSU consumption baseline and entitlements

MSU consumption in an Enterprise Consumption Solution is based on a committed annual MSU entitlement. This allows seasonal variations and utilization spikes to be smoothed out over a full 12-month period.

As an example, if the annual MSU entitlement is 1,200,000 MSUs consumed and the actual measured usage in month 1 was 90,000 MSUs consumed, the entitlement balance available for the remaining 11 months of the entitlement period would be 1,110,000.

Total MSUs consumed will be reconciled at the end of a 12-month period. While the annual MSU entitlement is committed, entitlements not used may be carried over to the next contract year. Any unused MSUs not utilized at the end of the contract period would expire.

As an example, if at the end of the 12-month period, the total consumed MSUs were 1,175,000, the remaining 25,000 MSUs could be carried over to the next 12-month period; 1,225,000 MSUs would be available for consumption in the next 12-month period.

All MSU consumption above the committed annual MSU entitlement is eligible for growth pricing.

Multiple production consumption environments

The pricing container technology is used to group production LPARs into a single production container, for the purposes of measuring the scope of that workload. In certain cases, more than one production container may be established; for example, in cases where software program use varies significantly between production LPARs or is limited to a subset of the LPARs. In this case, separate MSU and MLC baselines would be established for each production container.

MLC program entitlements and measurements

Once the MLC baseline is set, individual MLC software programs and features are not measured or charged individually. Charges are based on the total number of MSUs consumed across all LPARs defined to the production container, regardless of which LPARs the defined set of software programs are running in at any given time. This greatly improves deployment flexibility, removing the need for LPAR-level micromanagement of individual programs in order to manage individual MLC software programs charges.

Additional price/performance for all growth

The Enterprise Consumption Solution offers aggressive pricing for all workload growth above the committed annual MSU baseline entitlement. All growth above the baseline, including growth of existing workloads and the addition of new applications, automatically qualifies. A typical client can expect at least 50% MLC price/performance for incremental MSU consumed above their baseline. No additional tagging or tracking is required.

As an example, if the annual MSU entitlement is 1,200,000 MSUs consumed and the actual reported annual usage was 1, 400,000 MSUs consumed, all the additional 200,000 MSUs consumed would receive the growth price.

Monthly charges and MSU reconciliations

Monthly charges are calculated and billed at the initial baseline rate throughout the 12-month period. These charges are subject to changes to the applicable Technology Transition Offering as well as announced price changes.

MSU consumption will be tracked against the annual baseline commitment. Any usage above the committed MSU baseline will be billed at the contracted growth rate price and are also subject to the applicable Technology Transition Offering and announced price changes.

Application Development and Test Pricing

Charges for development and test workloads within the Enterprise Consumption Solution are based on the previously announced Application Development and Test Solution. This offers the flexibility to run substantially greater DevTest workloads, without increasing capacity-based IBM Monthly License Charges for those workloads.

The container pricing technology is used to group DevTest LPARs into a single DevTest container for the purposes of measuring and billing that workload separately from production container workloads.

For more information on the Application Development and Test Solution, see Software Announcement 218-324, dated October 2, 2018, and Software Announcement 217-490, dated November 14, 2017.

IPLA program terms in the Enterprise Consumption Solution

The Enterprise Consumption Solution is a comprehensive alternative to the R4HA sub-capacity model for both MSU-based sub-capacity MLC and IPLA programs.

IBM MSU-based IPLA software within the Enterprise Consumption Solution may be licensed with reference to the overall MSU consumption of the production workloads, plus the total size of the Application Development and Test solution. Existing entitlements for eligible programs will be converted to annual consumed MSU entitlements for the Enterprise Consumption Solution. Alternatively, clients may acquire license entitlement for the total physical MSU capacity available within the enterprise.

Licensing terms such as execution-based, z/OS-based, and reference-based terms are all R4HA-based terms and are therefore not available within the Enterprise Consumption Solution.

Enterprise Consumption Solution terms

- Non-capacity-based MLC programs, which include Flat Workload License Charges (FWLC) and Tiered Workload License Charges (TWLC) programs, continue to be licensed per their announced pricing metric and terms.
- Machine-based IPLA programs are not eligible for sub-capacity pricing and continue to be licensed per their announced pricing metric and terms.
- IBM software programs within the Enterprise Consumption Solution continue to be subject to any applicable Technology Transition Offering and announced price changes.

Enterprise Capacity Solution

The Enterprise Capacity Solution is a tailored full-capacity licensing model, offering the maximum level of cost predictability and simplicity. It is a highly customized priced offering, designed for clients who are adding substantial new workloads or are growing existing workloads significantly and require complete predictability of costs.

Clients are charged for a defined list of IBM MLC programs and are able to use those programs anywhere within the full capacity environment.

MSU capacity entitlement

Under the Enterprise Capacity Solution, IBM MLC and IPLA software entitlements are referenced to the overall size of the physical environment. The physical environment is defined by the rated MSUs of the machines in the enterprise, within a single country.

As an example, if within a single country, the enterprise consisted of two IBM z14 machines, each of which are rated at 2,055 MSUs, then the MSU capacity entitlement would be 4,110 MSUs.

IBM MLC and IPLA program entitlements

IBM MLC costs for the Enterprise Capacity Solution are set according to the previous 12 months' charges for the IBM MLC programs, plus an amount agreed to between IBM and the client to reflect estimated growth of the client's individual workloads. This increase in price will reflect allowances for substantially increased application development and test capacity, as well as aggressive growth pricing for new and existing applications.

IBM IPLA license entitlement is also required for the total physical MSU capacity available within the enterprise. Any increase in IPLA entitlement requirements will also reflect allowances for substantially increased DevTest capacity, as well as aggressive growth pricing for new and existing applications.

Flexibility of software deployments

Under the Enterprise Capacity Solution, all MLC and IPLA software programs are entitled to the size of the physical environment. This greatly improves deployment flexibility, removing the need for LPAR-level micromanagement of individual programs in order to manage IBM software program entitlement requirements and charges.

Ability to cancel the Enterprise Solution

Clients may cancel their Enterprise Solution and terminate the contract addendum for any reason by sending 30-days' written notice to IBM. Following cancellation, the client may not initiate a replacement Enterprise Solution for a period of at least 12 months.

Reference information

For more information on the Application Development and Test Solution, see Software Announcement 218-324, dated October 2, 2018, and Software Announcement 217-490, dated November 14, 2017.

For more information on the New Application Solution, see Software Announcement 218-325, dated October 2, 2018, and Software Announcement 217-519, dated November 14, 2017.

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