

**Justification for a Contract Amendment to  
Contract 2013-04: Implementation of Individual and Multi-Jurisdiction  
Allowance Auctions and Reserve Sales**

**May 17, 2013**

**Introduction**

WCI, Inc. proposes to modify its existing Contract 2012-04 with Markit Group Limited for Implementation of Individual and Multi-Jurisdiction Allowance Auctions and Reserve Sales. The purpose of this modification is to:

- 1) Extend the term and budget to accommodate tasking for added scope beyond what was originally expected.
- 2) Reformat and consolidate original tasking and add new additional tasking to reflect the redefined scope of work and for purposes of clarity.
- 3) Reduce the costs of translation to reflect actual costs.
- 4) Provide more specificity on the expected billing schedule and amount of each payment.

**Description of Services**

The services being procured through the proposed amendment would accommodate the California and Québec linking schedule as modified since the original contract was signed. Specifically, this amendment will enable Markit to:

- Expand the Markit Auction Platform and provide related services to enable individual and multi-jurisdiction allowance auctions. This includes, but is not limited to, Québec stakeholder auction training, one Québec Practice Auction, one Québec Real Auction, and one Practice CA-QC Joint Auction;
- Implement enhancements and updates to the Markit Auction Platform as requested by WCI, Inc.;
- Enhance the Markit Auction Platform to accommodate Québec's regulatory requirements related to Allowance Reserve Sales;
- Include additional, specified work in its scope, if requested by WCI, Inc. The first would allow for any additional work and time associated with the Québec Reserve Sale Set-up. The second would provide California the flexibility, if determined to be necessary, to add auction and allowance reserve sale services to the scope of this contract. Work under either task requires prior written authorization from WCI, Inc.

## **Steps Taken to Procure the Services Using Competitive Procurement Procedures**

The justification for selecting Markit to provide services under Contract 2012-04 has been described previously and approved by the WCI, Inc. Board of Directors.

Extending the scope and budget of this work accommodates the linking schedule between California and Québec as modified since the contract was originally signed. The extension also provides more time and resources for the jurisdictions to prepare for linking and to prepare for the co-monitoring and co-administration of joint auctions.

No additional steps have been taken to tender auction and allowance reserve sale services. These services with Markit are ongoing and need to be completed for linking.

## **Alternative Procurement Approach**

A contract modification is being proposed as the procurement vehicle to retain these required services. WCI, Inc. and Participating Jurisdiction staff approached Markit to confirm their interest in and availability for this work. After discussions with WCI, Inc. and Participating Jurisdiction staff to define the work, Markit finalized the attached technical and cost proposal, which has been reviewed and agreed to by WCI, Inc. and jurisdictional staff.

## **Justification**

Markit has demonstrated its qualifications to provide the services described above through its performance under the existing WCI, Inc. and California contracts.

Markit is also uniquely qualified to meet the timing, contracting, and staffing resources necessary to achieve the project objectives. Markit singularly has the technical understanding of the existing market infrastructure – the auction process and platform, the Compliance Instrument Tracking System Service (CITSS), etc. – and therefore a unique ability to provide the necessary services in the time available.

WCI, Inc.'s Procurement Policy provides for non-competitive procurement in certain instances. In this case, the non-competitive procurement is justified based on the following two allowable exemptions:

Contracts for services provided by contractors that have been selected by a federal, state, city, county, provincial, or other regulatory entity, usually through a competitive process.

Contract amendments to extend the original term for services and to add additional funding to a contract.

## CONTRACT AMENDMENT: 2012-04-001

Agreement number 2012-04 between Markit Group Limited (Contractor) and Western Climate Initiative, Inc. (WCI, Inc.), which was executed by the parties on January 14, 2013, is hereby amended as follows:

### SUMMARY OF CHANGES

Amendment Number	001
Effective Date for Amendment:	May 21, 2013
Original Agreement Amount:	██████████
Changes to the Agreement Amount:	Additional ██████████ (This increased agreement amount includes an option to extend Task 9, not-to-exceed ██████████, and optional Task 10, not-to-exceed ██████████. Expenditures under these options cannot occur without prior written approval from the WCI, Inc. Executive Director.)
Amended Maximum Agreement Amount:	██████████ (This amended maximum agreement amount includes an option to extend Task 9, not-to-exceed ██████████, and optional Task 10, not-to-exceed ██████████. Expenditures under these options cannot occur without prior written approval from the WCI, Inc. Executive Director.)
Original Agreement Term:	Twelve months, beginning on January 1, 2013, and ending on December 31, 2013.
Agreement Term as Amended:	Seventeen months, beginning on January 1, 2013, and ending on May 31, 2014.
Task Adjustments:	Existing tasking has been updated and new tasking added to reflect the redefined scope of work required to conduct jurisdiction-specific auctions and sales and practice auctions in 2013, and to prepare for joint auctions and jurisdictions-specific sales in 2014.

### PURPOSE OF THIS AMENDMENT

- 1) Extend the term and budget to accommodate tasking for added scope beyond what was originally expected.
- 2) Reformat and consolidate original tasking and add new additional tasking to reflect the redefined scope of work.
- 3) Reduce the costs of translation to reflect actual costs.
- 4) Provide more specificity on the expected billing schedule and amount of each payment.
- 5) Change one of the key personnel.

## SPECIFIC TERMS AND CONDITIONS WHICH CONSTITUTE THE AMENDMENT

- 1) The agreement referenced above is modified as follows:
  - a. Term of agreement: Line 2 of the Standard Agreement cover page is changed to **“Seventeen months, beginning on January 1, 2013, and ending on May 31, 2014.”**
  - b. Maximum amount of agreement: Line 3 of the Standard Agreement cover page is changed to “**[REDACTED]**.”
  - c. Attachment A, Scope of Work for Implementation of Multi-Jurisdiction Allowance Auctions, in the existing agreement (beginning on page 6) is replaced in its entirety by new Attachment A, dated May 17, 2013.
  - d. Attachment B, Section A “Invoicing and Payment”, is modified as follows:
    - i. “For services satisfactorily rendered, and upon receipt and approval of the invoice, WCI, Inc. agrees to compensate the Contractor in accordance with the Contractor’s Cost Proposal **for Updated 2013 Scope**, which is incorporated as **new Attachment F, dated May 17, 2013.**”
    - ii. “Each item in the invoice must correspond to costs identified in this attachment and Attachment F, **dated May 17, 2013.**”
    - iii. “All tasks shall be payable in arrears ~~for each month~~. Payment terms are NET 30.”
    - iv. “Invoices shall be submitted ~~monthly~~ in arrears **upon completion of the task with the exception of Task 4, which will be invoiced in pieces as shown in the following table.**”

Portion of Task 4 Budget	Planned Completion Date	Task 4 – Project Milestone Completion, To Be Invoiced Within a Month of Completion
50%	August 30, 2013	Completion of Production Release 1. This activity will be complete when all of the following have occurred: WCI, Inc. approves that the Release 1 UAT demonstrates that the Release 1 system requirements have been met; and Markit documents to WCI, Inc. that the Release 1 production deployment and smoke testing have been completed in readiness to use Release 1.
50%	October 25, 2013	Completion of Production Release 2. This activity will be complete when all of the following have occurred: WCI, Inc. approves that the Release 2 UAT demonstrates that the Release 2 system requirements have been met; and Markit documents to WCI, Inc. that the Release 2 production deployment and smoke testing have been completed in readiness to use Release 2.

- e. Attachment B, Section B “Budget Detail”, is modified as follows:
  - i. “Not-to-exceed ~~time and material~~ budget for this agreement is **[REDACTED]** (US). See ~~Attachment F~~ **Attachment F**, Contractor’s ~~Technical and~~ Cost Proposal **for Updated 2013 Scope**, for invoice basis.”

- f. Attachment C, General Terms and Conditions, Item 3 (“Substitution of Key Personnel”), is modified as follows:
  - i. Key Personnel includes Jane Lloyd and ~~Marc Barrachin~~ **Erik Woodling**.
- g. Attachment F, Contractors Cost Proposal in the existing agreement (beginning on page 30) is replaced by new Attachment F, dated May 17, 2013.

#### EXPLANATION OF CHANGES

- 1) The Contractor will expand the Markit Auction Platform and provide related services to enable individual and multi-jurisdiction allowance auctions. This includes, but is not limited to, Québec stakeholder auction training, one Québec Practice Auction, one Québec Real Auction, and one Practice CA-QC Joint Auction.
- 2) The Contractor will implement enhancements and updates to the Markit Auction Platform as requested by WCI, Inc.
- 3) The Contractor will enhance the Markit Auction Platform to accommodate Québec’s regulatory requirements related to Allowance Reserve Sales.
- 4) Two options task have been added. The first would allow for any additional work and time associated with the Québec Reserve Sale Set-up. The second gives California the flexibility, if determined to be necessary, to add auction and allowance reserve sale services to the scope of this contract. Work under either task requires prior written authorization from WCI, Inc.
- 5) Tasking has been reformatted and consolidated as outlined in new Attachment A to reflect the redefined scope of work and for purposes of clarity.
- 6) The expected costs for the revised scope of work to provide auction services for the Cap and Trade Program through the term of the contract are outlined in new Attachment F, Contractors Cost Proposal for Updated 2013 Scope, dated May 17, 2013.
- 7) The cost estimate for translation services has been revised to reflect actual costs. These costs are now expected to be [REDACTED] less than originally budgeted.
- 8) The Contractor will invoice WCI, Inc. following a billing schedule based on task completion rather than submit invoices on a monthly basis.
- 9) Erik Woodling will replace Marc Barrachin as one of the key personnel.

## APPROVALS

This document and any attachments described herein constitute an amendment to the above numbered agreement. All provisions of that contract, except those which are explicitly changed by this amendment, shall remain in full force and effect.

By signing, the Contractor and WCI, Inc. do hereby accept and approve this amendment.

### **Markit Group Limited**

Rony Grushka signature on file  
Authorized Signature

5/28/2013  
Date

Rony Grushka  
Name

Head of Corporate Strategy  
Title

### **Western Climate Initiative, Inc.**

Patrick Cummins signature on file  
Authorized Signature

5/29/2013  
Date

Patrick Cummins  
Name

Executive Director  
Title

**ATTACHMENT A**  
**SCOPE OF WORK FOR IMPLEMENTATION OF**  
**MULTI-JURISDICTION ALLOWANCE AUCTIONS**  
**MAY 17, 2013**

This revised scope of work for the auction service provider covers 10 tasks, including but not limited to Quebec only auction stakeholder training, Quebec only practice auction, conduct Quebec only auctions, single- and multi-jurisdiction auction set-up, and conduct Quebec and California linked practice auctions. This attachment replaces Attachment A contained in the original agreement 2012-04. More detail on these tasks is included in Attachment F, Contractors Cost Proposal for Updated 2013 Scope, dated May 17, 2013.

Note: The performance of Task 10 requires prior written authorization from WCI, Inc.

Task 1 – Quebec Stakeholder Auction Training

This task will include a QC stakeholder auction training presentation and meeting in Quebec.

The Task 1 deliverables include:

- Electronic copy of the training presentation
- Hard copy of the training presentation (2 copies)
- Presentation of the training at the meeting
- Summary of the training, identifying any unresolved issues and listing any recommendations for improvements to the training presentation or process.

Task 2 – Quebec Only Practice Auction

This task is to provide Quebec stakeholders with a practice auction. This practice auction will use the current California Auction Platform configuration with no additional updates i.e. Quebec practice auction participants will access the platform in USD and in English only.

The Quebec only practice auction shall exercise the full set of MAP auction processes and features included in the California Auction Platform configuration, including uploading of CITSS data, auction registration, auction registration approval by Quebec authorities, bid submission by stakeholders, application of the auction algorithm by MAP, reporting of data and results to Quebec authorities, auction certification by Quebec authorities, and dissemination of auction results to auction participants.

Following the Quebec only practice auction, the Contractor shall survey auction participants and prepare a memorandum identifying any process or MAP functionality issues that arose during the practice auction that the Contractor recommends warrant attention to resolve or improve.

The Task 2 deliverables include:

- The Quebec only practice auction
- Memorandum identifying any process or MAP functionality issues that warrant attention to resolve or improve

### Task 3 – French Translation

This task is to translate all MAP web pages from English to French. The Contractor shall provide the translated web pages to WCI, Inc. and the Quebec Ministry for review and comment. The Contractor shall incorporate the WCI, Inc. and Quebec Ministry comments and prepare a final version for review and approval.

The Task 3 deliverables are the draft and final translated web pages. The web pages shall be provided electronically.

### Task 4 –Set-up for Single- and Multi-Jurisdiction Auctions

The purpose of this task is to develop and configure the MAP to support individual-jurisdiction and multiple-jurisdiction auctions that conform to the requirements specified by WCI, Inc. This task shall be managed using the approach defined in the “Processes related to the software development lifecycle” in Attachment F, which include the following:

- Formal kickoff and team introductions.
- Weekly status updates in the form and distribution list agreed and in place by the parties. Review status updates with technical and business leads.
- Formalizing the process to facilitate issues management and quick turn around on questions.
- Design and analysis, including:
  - Working with project lead at WCI, Inc. and the Participating Jurisdictions’ technical and business leads.
  - Facilitating working session to gather requirements and process workflows.
- Obtaining approval from WCI, Inc., for the linked requirements.
- Working with WCI, Inc., its Participating Jurisdictions, and authorized contractors to create updated workflows and updated timelines. Prepare and update project timelines as needed.
- Conducting thorough internal testing (i.e., unit, functional, quality assurance, internal user acceptance (UAT), performance and load, and smoke testing).
- Facilitating UAT testing by WCI, Inc., Participating Jurisdictions and other authorized contractors.
- Facilitating formal sign off of UAT testing.



This task shall be performed in three steps: (1) requirements gathering; (2) Release 1 development, testing, and deployment; and (3) Release 2 development, testing and deployment.

Requirements Gathering: The Contractor shall work with WCI, Inc., Participating Jurisdictions, and other authorized contractors to identify and document the MAP requirements for both Release 1 and Release 2, which include but are not limited to the following items:

- Enhancements to support French language
- Auction Set-up to enable a Jurisdiction-specific or linked auction
- Currency Exchange Rate and Multiple Currency Enhancements
- Administrator Role Enhancements (this assumes no administrator role for WCI, Inc.)
- Enhancements and updates detailed in Attachment F, dated May 17 2013.

As requested, the Contractor shall review and comment on the requirements as provided by WCI, Inc., and shall assist WCI, Inc., the Participating Jurisdictions, and other authorized contractors to identify and define the requirements as needed to develop, test, and deploy Release 1 and Release 2.

Release 1 development, testing, and deployment. The Contractor shall develop, test, and deploy Release 1 to conform to the requirements. At least two rounds of user acceptance testing (UAT) will be performed, along with Production Deployment, and Production Sanity Testing. The Contractor shall demonstrate that the Release 1 requirements have been met and that Release 1 is ready to be used.

Release 2 development, testing and deployment. The Contractor shall develop, test, and deploy Release 2 to conform to the requirements. At least one round of user acceptance testing (UAT) will be performed, along with Production Deployment, and Production Sanity Testing. The Contractor shall demonstrate that the Release 2 requirements have been met and that Release 2 is ready to be used.

The Task 4 deliverables are:

- Review and comment on the Release 1 and Release 2 requirements provided by WCI, Inc.
- Release 1, including UAT, Production Deployment, and Production Sanity Testing that demonstrates that the Release 1 requirements have been met and that Release 1 is ready to be used.
- Release 2, including UAT, Production Deployment, and Production Sanity Testing that demonstrates that the Release 2 requirements have been met and that Release 2 is ready to be used.

## Task 5 – Auction Platform Updates

The purpose of this task is to develop and configure the MAP to support the following updates to the auction platform:

- *Details about auction platform updates have been removed from the public document for security and business confidentiality reasons.*

This task shall be performed in two steps: (1) requirements gathering; and (2) Release 3 development, testing, and deployment.

Requirements Gathering: The Contractor shall work with WCI, Inc., Participating Jurisdictions, and other authorized contractors to identify and document the MAP requirements for Release 3. As requested, the Contractor shall review and comment on the requirements as provided by WCI, Inc., and shall assist WCI, Inc., the Participating Jurisdictions, and other authorized contractors to identify and define the requirements as needed to develop, test, and deploy Release 3.

Release 3 development, testing, and deployment. The Contractor shall develop, test, and deploy Release 3 to conform to the requirements. At least one round of user acceptance testing (UAT) will be performed, along with Production Deployment, and Production Sanity Testing. The Contractor shall demonstrate that the Release 3 requirements have been met and that Release 3 is ready to be used.

The Task 5 deliverables are:

- Review and comment on the Release 3 requirements provided by WCI, Inc.
- Release 3, including UAT, Production Deployment, and Production Sanity Testing that demonstrates that the Release 3 requirements have been met and that Release 3 is ready to be used.

## Task 6 – Conduct Quebec Only Auction

The purpose of this task is to support the execution of a Quebec only allowance auction. The Contractor shall support the auction by managing the MAP and working with authorized Quebec representatives and other authorized contractors throughout the entire auction process.

- Conduct Bidder Auction Qualification Process including participation in bidder training sessions led and organized by WCI, Inc. and authorized Quebec representatives. Bidder training sessions will be done on-line. On-line conferencing costs will not be the responsibility of the Contractor.
- Prepare MAP Release 2 for the open bidding window, and monitor its operations during the open bidding window.
- Receive Bids for Auction during the open bidding window.
- Provide help desk support to auction participants during the open bidding window.
- Determine Settlement Price and/or successful and unsuccessful bids.

- Communicate the results of the auction to authorized Quebec representatives and other authorized contractors according to approved auction procedures.
- Rerun the auction results and reports, if requested by authorized Quebec representatives.
- In accordance with approved auction procedures, ensure that MAP provides appropriate notice of auction results to auction participants.
- In accordance with approved auction procedures, provide the necessary data and reports to support the settlement process.
- In accordance with approved procedures, Markit will work with authorized Quebec representatives and other authorized contractors during the auction process to identify and resolve issues that may arise regarding the functioning of MAP, the auction process, and the generation and transmission of auction results.

The Contractor shall maintain records of any process or MAP functionality issues that arose during the Quebec only auction that the Contractor recommends warrant attention to resolve or improve.

The Task 6 deliverables include:

- The Quebec only auction.
- Completed auction results and reports that conform to the Release 2 requirements, including reports and data transmissions that are free of errors.
- Access to the Contractor's system currently in use for tracking process and MAP functionality issues that warrant attention to resolve or improve.

#### Task 7 – Conduct Quebec/California Practice Auction

The purpose of this task is to support the execution of a Quebec/California practice allowance auction. The Contractor shall support the auction by managing the MAP and working with authorized Quebec and California representatives and other authorized contractors throughout the entire auction process.

- Conduct Bidder Auction Qualification Process including participation in bidder training sessions led and organized by WCI, Inc. and authorized Quebec and California representatives. Bidder training sessions will be done on-line. On-line conferencing costs will not be the responsibility of the Contractor.
- Prepare MAP Release 2 for the open bidding window, and monitor its operations during the open bidding window.
- Receive Bids for Auction during the open bidding window.
- Provide help desk support to auction participants during the open bidding window.
- Determine Settlement Price and/or successful and unsuccessful bids.
- Communicate the results of the auction to authorized Quebec and California representatives and other authorized contractors according to approved auction procedures.

- Rerun the auction results and reports, if requested by authorized California and Quebec representatives.
- In accordance with approved procedures for the practice auction, ensure that the MAP provides appropriate notice of sample auction results to auction participants.
- In accordance with approved procedures for the practice auction, demonstrate the ability to provide the necessary data and reports to support the settlement process.
- In accordance with approved procedures, Markit will work with authorized Quebec and California representatives and other authorized contractors during the auction process to identify and resolve issues that may arise regarding the functioning of MAP, the auction process, and the generation and transmission of auction results.

The Contractor shall maintain records of any process or MAP functionality issues that arose during the practice auction that the Contractor recommends warrant attention to resolve or improve.

The Task 7 deliverables include:

- The Quebec/California practice auction.
- Completed auction results and reports that conform to the Release 2 requirements, including reports and data transmissions that are free of errors.
- Access to the Contractor's system currently in use for tracking process and MAP functionality issues that warrant attention to resolve or improve.

#### Task 8 – Cyber Insurance

This task is for cyber insurance for the duration of the contract. The Contractor shall maintain cyber insurance as specified in Attachment E. The Contractor shall provide documentation of insurance as required in Attachment C and Attachment E.

#### Task 9 – Quebec Only Reserve Sale

The purpose of this task is to develop and configure the MAP to support Quebec's requirements related to Reserve Sale. This task shall be performed by first defining and documenting the requirements, and then developing, testing, and deploying the updated MAP.

The Contractor shall work with WCI, Inc., Participating Jurisdictions, and other authorized contractors to identify and document the requirements to conform to the Quebec reserve sale requirements. Requirements may include, but are not limited to, updates to: emails, reports, screen designs, processes, and methodology.

The Contractor shall develop, test, and deploy the updated MAP that conforms to the requirements, including UAT, Production Deployment, and Production Sanity Testing.

The Contractor shall demonstrate that the requirements have been met and that the updated MAP is ready to be used.

The Task 9 deliverables are:

- Requirements for MAP updates.
- UAT, Production Deployment, and Production Sanity Testing that demonstrates that the requirements have been met and that the updated MAP is ready to be used.

#### Task 10 – California Only Auctions

The purpose of this task is to support the execution of up to two California only allowance auctions. This task will be performed only following WCI, Inc. providing written authorization to the Contractor. Separate written authorization is required for each auction.

Following receipt of written authorization from WCI, Inc. the Contractor shall support the specified auction by managing the MAP and working with authorized California representatives and other authorized contractors throughout the entire auction process.

- Conduct Bidder Auction Qualification Process including participation in bidder training sessions led and organized by WCI, Inc. and authorized California representatives. Bidder training sessions will be done on-line. On-line conferencing costs will not be the responsibility of the Contractor.
- Prepare the most updated and approved MAP Release for the open bidding window, and monitor its operations during the open bidding window.
- Receive Bids for Auction during the open bidding window.
- Provide help desk support to auction participants during the open bidding window.
- Determine Settlement Price and/or successful and unsuccessful bids.
- Communicate the results of the auction to authorized California representatives and other authorized contractors according to approved auction procedures.
- Rerun the auction results and reports, if requested by authorized California representatives.
- In accordance with approved auction procedures, ensure that the MAP provides appropriate notice of auction results to auction participants.
- In accordance with approved auction procedures, provide the necessary data and reports to support the settlement process.
- In accordance with approved procedures, Markit will work with authorized California representatives and other authorized contractors during the auction process to identify and resolve issues that may arise regarding the functioning of the MAP, the auction process, and the generation and transmission of auction results.

The Contractor shall maintain records of any process or MAP functionality issues that arose during the auction that the Contractor recommends warrant attention to resolve or improve.

The Task 10 deliverables include:

- Each authorized California auction (up to two).
- Completed auction results and reports that conform to the most updated and approved MAP Release requirements, including reports and data transmissions that are free of errors, for each authorized auction.
- Access to the Contractor's system currently in use for tracking process and MAP functionality issues that warrant attention to resolve or improve.

**ATTACHMENT F**  
**CONTRACTOR'S TECHNICAL AND COST PROPOSAL**  
**FOR UPDATED 2013 SCOPE**

**MAY 17, 2013**

The scope of work in 2013 for auction services has been redefined in ten tasks as described in the following attachment, *Cap and Trade Auction Service: Technical and Cost Proposal for Updated 2013 Scope*. Task 10 is an optional task that will only be acted upon by the contractor with separate, written authorization from WCI, Inc.

This Attachment replaces Attachment F contained in the original agreement 2012-04.

# Implementation of Individual and Multi-Jurisdiction Allowance Auctions and Reserve Sales

## Revised Technical and Cost Proposal

Submitted to Western Climate Initiative, Inc.

Tuesday, May 17, 2013



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## Definitions

ARB	California Air Resources Board
ARS	Auction and Reserve Sales
ARS Authorities	WCI, Inc., ARS Financial Services Administrator, and ARS Market Monitor Contractor
CA	California
EU ETS	European Union Emissions Trading Scheme
FSA	Authorized Auction and Reserve Sale Financial Services Administrator
GHG	Greenhouse Gases
Landing Page	Auction and Reserve Sale Landing Page
KYC	Know Your Client
MAP	Markit Auction Platform
MM	Authorized Auction and Reserve Sale Market Monitor contractor
Participating Jurisdictions	California and Quebec
RS	Reserve Sales
QA Testing	Quality Assurance Testing
QC	Quebec Province
UAT	User Acceptance Testing
WCI	Western Climate Initiative
WCI, Inc.	Western Climate Initiative, Inc.

## Summary

The State of California and Province of Quebec are implementing their greenhouse gas cap-and-trade programs based on the WCI's design recommendations. Markit is operating under a competitively-awarded contract with the California Air Resources Board (ARB) to be the cap-and-trade auction and reserve sale administrator. Markit has extensively configured MAP (the Markit Auction Platform) to run the California ARB cap-and-trade program based on the cap-and-trade regulation's requirements.

WCI, Inc. was created to provide administrative and technical services to support the implementation of state and provincial greenhouse gas emissions trading programs. California ARB and Quebec have refined their regulations to fully harmonize their programs and enable linking of their carbon markets.

Markit has been working with WCI, Inc., Quebec, and California to understand the regulations and requirements and how they will be implemented in MAP. This document outlines additional work required to the Markit Auction Platform to enable individual and multi-jurisdiction allowance auctions based on the Change Order Request submitted to Markit from WCI, Inc. on April 3<sup>rd</sup>, 2013. Markit will follow its Software Development Lifecycle process for this project based on the agreed scope between Markit, WCI, Inc., California, and Quebec (outlined below).

## Scope of Work

This scope of work covers the revised tasks is based on the WCI, Inc. Change Order that includes but is not limited to the Quebec only auction stakeholder training, Quebec only practice auction, conduct Quebec only auctions, Quebec and California linked auction set-up, conduct Quebec and California linked practice auctions.

Task 1 – Quebec Stakeholder Auction Training

Task 2 – Quebec Only Practice Auction

Task 3 – French Translation

Task 4 –Set-up for Single- and Multi-Jurisdiction Auctions

Task 5 – Auction Platform Updates (Attachment A)

Task 6 – Conduct Quebec Only Auction

Task 7 – Conduct Quebec/California Practice Auction

Task 8 – Cyber Insurance

Task 9 – Quebec Only Reserve Sale Set-up

Task 10 – California Only Auctions and Reserve Sales

## Processes related MAP Software Development Life cycle

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Processes related to the software development lifecycle will include:

- Formal kickoff and team introductions.
- Weekly status updates in the form and distribution list agreed and in place by the parties. Review status updates with technical and business leads.
- Formalizing the process to facilitate issues management and quick turn around on questions.
- Design and analysis will include:
  - Working with project lead at WCI, Inc. and the jurisdictions' technical and business leads
  - Facilitating working session to gather requirements and process workflows.
- Obtaining approval from WCI, Inc., for the updated linked requirements document.
- Working with WCI, Inc., its Participating Jurisdictions, and authorized contractors to create updated workflows and updated timelines. Prepare and update project timelines as needed.
- Conduct thorough internal testing (i.e. unit, functional, quality assurance, internal user acceptance (UAT), performance and load, and smoke testing)
- Facilitating UAT testing by WCI, Inc. Participating Jurisdictions and other authorized contractors.
- Facilitating formal sign off of UAT testing

## Items that are not in the scope of work include

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- Any items not listed in this Technical and Cost Proposal
- Conduction of Quebec Reserve Sales
- Update of WCI, Inc. or Quebec Ministry of the Environment websites
- Update of other contractor websites, applications, platforms or processes
- For any jurisdictions other than CA and QC wishing to use MAP for reserve sales or single- or multi-jurisdiction auctions, development work that would be required to support requirements unique to such jurisdictions
- Additional (i.e., more than two) practice auction sessions
- Testing sessions for stakeholders
- WCI, Inc. MAP administrative permission

## Timelines and milestones

*[Specific dates are subject to change and have been removed from the public version of this document.]*

### Tasks 1 through 3

#	Task	Start Date	End Date
1	Quebec stakeholder auction training		
2	Quebec only practice auction		
3	LionBridge French translation costs		

The implementation work falls under the following 3 tasks:

### Task 4: Quebec Only and Quebec/California Linked Auction Set-up

#	Task	Start Date	End Date
1	Requirement gathering		
2	Development and Quality Assurance Release 1		
3	User Acceptance Testing Round 1* Release 1		
4	User Acceptance Testing Round 2* Release 1		
5	Production Deployment Release 1		
6	Production Smoke Test Release 1		
7	Development and Quality Assurance Release 2		
8	User Acceptance Testing Release 2		
9	Production Deployment and Smoke Testing Release 2		
10	Production Smoke Test Release 2		

### Task 5: Auction Platform Updates (Attachment A)

#	Task	Start Date	End Date
1	Requirement gathering Release 3		
2	Development and Quality Assurance Release 3		
3	User Acceptance Testing* Release 3		
4	Production Deployment Release 3		
5	Production Smoke Test Release 3		

**Task 9: Quebec Reserve Sale Set-up**

#	Task	Start Date	End Date
1	Requirement gathering Release 4		
2	Development and Quality Assurance Release 4		
3	User Acceptance Testing* Release 4		
4	Production Deployment and Smoke Test Release 4		
5	Production Smoke Test Release 4		

\* All dates for testing are to be confirmed with the jurisdiction

\*\* Production release dates are based on auction and reserve sale dates and to be agreed with the jurisdictions and approved through acceptance in the UAT process

## Cost proposal summary

The cost is broken down by task in the tables below:

Task 1 – Quebec Stakeholder Auction Training (Table 1: [REDACTED])

Task 2 – Quebec Only Practice Auction (Table 2: [REDACTED])

Task 3 – French Translation (Table 3: [REDACTED])

Task 4 –Set-up for Single- and Multi-Jurisdiction Auctions (Table 4: [REDACTED])

Task 5 – Auction Platform Updates (Attachment A) (Table 5: [REDACTED])

Task 6 – Conduct Quebec Only Auction (Table 6: [REDACTED])

Task 7 – Conduct Quebec/California Practice Auction (Table 7: [REDACTED])

Task 8 – Cyber Insurance (Table 8: [REDACTED])

Task 9 – Quebec Only Reserve Sales Set-up (Table 9: [REDACTED])

Table 10 – Conduct California Only Auctions and Reserve Sales 2013 (Table 10: [REDACTED]/auction or reserve sale) - OPTIONAL

*Hours estimates and rate details have been removed from the public document for business confidentiality and competitiveness reasons.*

Table 1: Quebec stakeholder auction training

	Description	Time (weeks)	Cost USD
<b>Subtask</b>			
1	Develop stakeholder training presentation Translate presentation to French Travel to and from and accommodation in Montreal Delivery of stakeholder training presentation Facilitation of stakeholder question and answer session		
<b>Total</b>			

Table 2: Quebec only practice auction

	Description	Time (weeks)	Cost USD
<b>Subtask</b>			
1	Conduct Bidder Practice Auction Qualification Process		
2	Receive Bids for Practice Auction		
3	Conduct Practice Auction		
4	Determine Settlement Price per GHG allowance and reports		
5	Conduct Practice Auction Survey		
<b>Total</b>			

Table 3: LionBridge French translation costs

	Description	Costs USD
1	Translation from English to French of all MAP web pages (To be passed through by Markit and billed at-cost from LionBridge translation service).	



*Hours estimates and rate details have been removed from the public document for business confidentiality and competitiveness reasons.*

**Table 4: Set-up for single-jurisdiction and multi-jurisdiction auctions**

The following subtasks reflect Markit's current understanding of how California and Quebec would like the MAP to function when performing individual-jurisdiction and multiple-jurisdiction auctions. A multi-jurisdiction auction will be capable of supporting any combination of two or more jurisdictions provided there are no new enhancements/changes specific to a jurisdiction or in the way a multi-jurisdiction auction is conducted.

	Description	Time (weeks)	Release	Cost USD
	<b>Subtask</b>			
1	<b>Enhancements to support French language</b> <ol style="list-style-type: none"> <li>1. Build separate Public Home Pages (URLs) for California and Quebec users, and a 3<sup>rd</sup> home page for the California and Quebec linked auction.</li> <li>2. Create French version of all the web pages and update designs to fit the French language</li> <li>3. Build language selection/default rules <ol style="list-style-type: none"> <li>a. Default French for Quebec users and English for California users</li> <li>b. Enable Language selection only for Quebec users and not California</li> </ol> </li> <li>4. Build the ability to maintain CMS content in multiple languages.</li> <li>5. Create business rules to display French version of the CMS content when the page is being viewed in French.</li> <li>6. Create French and English version of the MAP generic Bidder Conference and Training video</li> <li>7. Create a French version of all the participant emails</li> <li>8. Reporting enhancements <ol style="list-style-type: none"> <li>a. Participant reports will be bilingual i.e. support French and English</li> <li>b. Build a business rule to display bilingual reports to Quebec users only</li> <li>c. Updates to all reports required to address currency changes.</li> </ol> </li> </ol>		1	
2	<b>Auction Set-up to enable single-Jurisdiction or linked multi-jurisdiction auction</b> <ol style="list-style-type: none"> <li>1. Ability to set-up single-jurisdiction and linked multi-jurisdiction auctions, including but not limited to: Quebec only, California only and Linked <ol style="list-style-type: none"> <li>a. Add a 'Region' field at an Auction Event level. This field will be utilized to determine the jurisdiction(s) included in the auction</li> </ol> </li> </ol>		1	

*Hours estimates and rate details have been removed from the public document for business confidentiality and competitiveness reasons.*

	Description	Time (weeks)	Release	Cost USD
3	<b>FX Rate and Multiple Currency Enhancements</b> <ol style="list-style-type: none"> <li>1. Add FX rates and multiple currency Reserve Prices to auction events <ol style="list-style-type: none"> <li>a. Build an approval workflow before publishing the FX rates and Reserve Prices on MAP</li> <li>b. Build the ability to store Bids and Bid Guarantee in multiple currencies.</li> <li>c. Business rule to restrict California users to submit Bids and Bid Guarantee in USD only</li> <li>d. Business Rule to restrict Quebec participants to submitting bids only in the currency their bid guarantees are submitted in.</li> <li>e. Build the ability to calculate a settlement price given bids in multiple currencies</li> </ol> </li> <li>2. Update designs on the following pages to include FX rate and Reserve Prices in multiple currencies <ol style="list-style-type: none"> <li>f. Public and Private Landing Pages</li> <li>g. Auction page</li> <li>h. Auction Monitoring Page</li> </ol> </li> <li>3. Build business rules around the 'Region' field <ol style="list-style-type: none"> <li>i. For Auction Events where Region = Quebec or any other Canadian jurisdiction <ol style="list-style-type: none"> <li>i. Auction event will be displayed on the countdown clock on the jurisdiction's Public Home page</li> <li>ii. FX Rates and Reserve Prices in USD will not be displayed. Only CAD will be displayed under the countdown clock</li> </ol> </li> <li>j. For Auction Events where Region = California or any other U.S. jurisdiction <ol style="list-style-type: none"> <li>i. Auction event will be displayed on the countdown clock on the jurisdiction's Public Home page</li> <li>ii. Reserve Prices in USD will be displayed under the countdown clock</li> <li>iii. FX Rate and Reserve Price in CAD will not be displayed. Only USD will be displayed under the countdown clock</li> </ol> </li> <li>k. For Auction Events where Region = Linked <ol style="list-style-type: none"> <li>i. Auction event will be displayed on the countdown clock on the Public Home pages for the linked auction</li> <li>ii. FX Rates and Reserve Prices in USD and CAD will be displayed under the countdown clock</li> </ol> </li> </ol> </li> </ol>		1	

*Hours estimates and rate details have been removed from the public document for business confidentiality and competitiveness reasons.*

	Description	Time (weeks)	Release	Cost USD
4	<b>Admin Role Enhancements (Assumes no Admin role for WCI, Inc.)</b> <ul style="list-style-type: none"> <li><i>Details about auction platform administrator roles have been removed from the public document for security and business confidentiality reasons.</i></li> </ul>		1	
5	<b>Miscellaneous enhancements:</b> <ul style="list-style-type: none"> <li><i>Details about auction platform updates have been removed from the public document for security and business confidentiality reasons.</i></li> </ul>		1	
6	<ul style="list-style-type: none"> <li><i>Details about auction platform updates have been removed from the public document for security and business confidentiality reasons.</i></li> </ul>		2	
<b>Total</b>				

**Table 5: Auction Platform Updates (based on Attachment A to WCI's April 3 request for a change order)**

Description	Time (weeks)	Release	Cost USD
<ul style="list-style-type: none"> <li><i>Details about auction platform updates have been removed from the public document for security and business confidentiality reasons.</i></li> </ul>		3	
<b>Total</b>			

**Table 6: Conduct Quebec only auction**

	Description	Time (weeks)	Cost USD
<b>Subtask</b>			
1	Conduct Bidder Auction Qualification Process including participation in bidder training sessions led and sponsored by WCI, Inc. and QC		
2	Receive Bids for Auction		
3	Conduct Auction		

*Hours estimates and rate details have been removed from the public document for business confidentiality and competitiveness reasons.*

	Description	Time (weeks)	Cost USD
4	Determine Settlement Price and/or successful and unsuccessful bids per GHG allowance and reports		
5	Rerun auction results and reports, if requested by QC		
6	Communicate Value of Bids to QC & Monitoring Analytics		
<b>Maximum Total Invoice Cost per Quebec Only Auction</b>			<b>████████ per max</b>

**Table 7: California-Quebec practice linked costs per auction**

	Description	Time (weeks)	Cost USD
	<b>Subtask</b>		
1	Conduct Bidder Auction Qualification Process including participation in bidder training sessions led and sponsored by WCI, Inc. CA, and QC		
2	Receive Bids for Auction		
3	Conduct Quarterly GHG Auctions		
4	Determine Settlement Price and/or successful and unsuccessful bids per GHG allowance and reports		
5	Rerun auction results and reports, if requested by California and Quebec		
6	Communicate Value of Bids to ARB, QC, & Monitoring Analytics		
<b>Maximum Total Invoice Cost per Linked Auction</b>			<b>████████ per max</b>

**Table 8: Cyber insurance costs**

	Description	Cost USD
1	Provide cyber insurance for the duration of the contract. The insurance will be no less than \$████████ per occurrence or claim, and \$████████ aggregate. The insurance shall include security and privacy liability, media liability, and cyber extortion. The cost of this insurance will be billed to WCI, Inc. as a direct expense under this contract at Markit's actual cost with no mark-up. The initial estimate of this cost is \$████████. If requested by WCI, Inc., Markit shall immediately request termination of this cyber insurance consistent with the terms of the policy and any refund for cancelled coverage shall be credited to WCI, Inc.	
<b>Total</b>		<b>████████</b>

**Table 9: Quebec Reserve Sale Set-up**

*Hours estimates and rate details have been removed from the public document for business confidentiality and competitiveness reasons.*

	Description	Weeks	Cost USD
1	Enhance the platform to accommodate Quebec's regulatory requirements related to Reserve Sale. Changes will impact current reserve sale emails, reports, screen designs and methodology.		
2	Release of additional funds to continue set-up work, if necessary, upon Markit's written request and WCI, Inc's approval.		
<b>Total</b>			

**Table 10: Conduct California Only Auctions and Reserve Sales (Optional)**

If this is determined to be necessary, Markit will perform this work only after receiving written authorization from the WCI, Inc. Executive Director to do so. Written authorization should be provided at least 75 days prior to each authorized event.

	Description	Time (weeks)	Cost USD
<b>Subtask</b>			
1	Conduct Bidder Auction and Reserve Sales Qualification Process including participation in bidder training sessions led and sponsored by WCI, Inc. and CA		
2	Receive Bids for Auction or Reserve Sale		
3	Conduct Quarterly GHG Auctions and Reserve Sales		
4	Determine Settlement Price and/or successful and unsuccessful bids per GHG allowance and reports		
5	Rerun Auction or Reserve Sale results and reports, if requested by California		
6	Communicate Value of Bids to ARB & Monitoring Analytics		
<b>Maximum Total Invoice Cost for any single event</b>			
<b>Maximum Total Invoice Cost for two California Only Auctions and two Reserve Sales in 2013</b>			<b>per max</b>

## Assumptions

1. California entity is an account holding number that has Jurisdiction = CA in CITSS.
2. Quebec entity is an account holding number that has Jurisdiction = QC in CITSS.
3. Only California entities will participate in CARB auctions.
4. Only Quebec entities will participate in Quebec auctions.
5. Only California and Quebec entities will participate in Linked auctions.
6. These additional tasks as outlined in Table 4, 5, and 9 will be implemented on the existing MAP application and processes.
7. Quebec and the WCI, Inc., asserts the existing MAP platform meets all functional requirements and only the additional items outlined here in the scope are in scope will be added. However, for the QC practice auction, QC will use the existing infrastructure designed and developed for California. The project timeline for linked auctions are dependent upon the project status of California May and August Auctions.
8. The California user experience will remain identical to the user experience to the May 2013 Auction until the task 4 production release.
9. The project timelines assume two-working day turnaround time on information requiring clarification, and open issues outlined in the project status reports.
10. Markit will participate with the other contractors in Bidders Conference and Training Session as part of the Auction qualification process. Sessions funded through this agreement are to be facilitated by WCI, Inc. and e WCI, Inc's AccuConference.
11. The timeline outlined is only for integration with existing California and WCI, Inc. contractors' platforms for: Market Monitoring (Monitoring Analytics), Financial Services Administration (Deutsche Bank) and CITSS (SRA).

## Billing Schedule for Task 4

Below is the billing schedule for Task 4. The cost for Task 4 will be invoiced in the portions indicated in the table. The other tasks listed above will be billed at the completion of each task.

Portion of Task 4 Budget	Planned Completion Date	Task 4 – Project Milestone Completion, To Be Invoiced Within a Month of Completion
50%	August 30, 2013	Completion of Production Release 1. This activity will be complete when all of the following have occurred: WCI, Inc. approves that the Release 1 UAT demonstrates that the Release 1 system requirements have been met; and Markit documents to WCI, Inc. that the Release 1 production deployment and smoke testing have been completed in readiness to use Release 1.
50%	October 25, 2013	Completion of Production Release 2. This activity will be complete when all of the following have occurred: WCI, Inc. approves that the Release 2 UAT demonstrates that the Release 2 system requirements have been met; and Markit documents to WCI, Inc. that the Release 2 production deployment and smoke testing have been completed in readiness to use Release 2.

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