

Justification for a Contract Amendment to Contract 2013-03: Cap and Trade Market Monitoring Services

May 8, 2013

Introduction

WCI, Inc. proposes to modify its existing Contract 2012-03 with Monitoring Analytics, LLC for Cap and Trade Market Monitoring Services. The purpose of this modification is to:

- 1) Extend the budget to include increased costs as a result of added scope beyond what was originally expected; and
- 2) Reformat and consolidate original tasking to reflect the redefined scope of work and for purposes of clarity.

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 Monitoring Analytics to:

- Maintain separate security and monitoring plans for California and Québec throughout 2013, and update these plans for a linked market prior to linking in 2014;
- Monitor market activity for both jurisdictions independently throughout 2013;
- Monitor and audit three auctions (a Québec practice auction (complete), and Québec real auction, and a practice California-Québec joint auction) independently from the ongoing effort to audit and monitor California auctions; (the contract signed in December 2012 assumed earlier linking and the ability to leverage the California effort already in place); and
- Provide technical support, meetings, and reports for both jurisdictions independently throughout 2013.

Steps Taken to Procure the Services Using Competitive Procurement Procedures

The justification for selecting Monitoring Analytics to provide services under Contract 2012-03 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, to prepare for the co-monitoring of a linked market, and to further develop their experience and expertise monitoring carbon markets prior to linking.

No additional steps have been taken to tender market monitoring services. These services with Monitoring Analytics 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 Monitoring Analytics to confirm their interest in and availability for this work. After discussions with WCI, Inc. and Participating Jurisdiction staff to define the work, Monitoring Analytics finalized the attached technical and cost proposal, which has been reviewed and agreed to by WCI, Inc. and jurisdictional staff.

Justification

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

Monitoring Analytics is also uniquely qualified to meet the timing, contracting, and staffing resources necessary to achieve the project objectives. Monitoring Analytics 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 monitoring 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: 2012-03-001

Agreement number 2012-03 between Monitoring Analytics, LLC (Contractor) and Western Climate Initiative, Inc. (WCI, Inc.), which was executed by the parties on December 20, 2012, is hereby amended as follows:

SUMMARY OF CHANGES

Amendment Number	001
Effective Date for Amendment:	May 8, 2013
Original Agreement Amount:	██████████
Changes to the Agreement Amount:	Additional ██████████
Amended Maximum Agreement Amount:	██████████
Original Agreement Term:	Thirteen months, beginning on January 1, 2013, and ending on January 31, 2014.
Agreement Term as Amended:	No change
Task Adjustments:	Tasking has been updated to reflect the redefined scope of work required to monitor the Cap and Trade Program in 2013.

PURPOSE OF THIS AMENDMENT

- 1) Extend the budget to include increased costs as a result of added scope beyond that which was originally proposed.
- 2) Reformat and consolidate original tasking to reflect the redefined scope of work and for purposes of clarity.

SPECIFIC TERMS AND CONDITIONS WHICH CONSTITUTE THE AMENDMENT

- 1) The agreement referenced above is modified as follows:
 - a. Maximum amount of agreement: Line 3 of the Standard Agreement cover page is changed to "██████████."
 - b. Attachment A, Scope of Work for Cap and Trade Market Monitoring Service, in the existing agreement (beginning on page 6) is replaced in its entirety by new Attachment A, dated May 8, 2013.
 - c. 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 8, 2013."
 - ii. "Each item in the invoice must correspond to costs identified in this attachment and Attachment F, dated May 8, 2013."

- d. 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.”
- e. Attachment F, Contractors Cost Proposal in the existing agreement (beginning on page 30) is replaced by new Attachment F, dated May 8, 2013.

EXPLANATION OF CHANGES

- 1) Rather than provide monitoring for a Practice Auction and two real auctions, the Contractor will provide monitoring for one Québec Practice Auction, one Québec Real Auction, and one Practice CA-QC Joint Auction. Unlike the auctions originally planned for monitoring, these auctions can not be combined with the effort already under contract with California. Thus, additional effort is needed for data preparation, metric calculation, *in situ* bid monitoring, and communications. The processes and work performed are assumed to have the same level of effort for a Practice Auction as for a real Auction.
- 2) The Contractor will monitor allowance holdings, transfer activity, and secondary market activity outside of the auctions for any allowance holding positions that may violate the regulations or provide opportunity to exercise market power. Note: until linkage, each jurisdiction will be using a separate firewalled version of CITSS, and separate processes for data quality, resulting in additional effort for the Contractor relative to the linked market the Contractor had originally anticipated monitoring in May 2013.
- 3) Tasking has been reformatted and consolidated as outlined in new Attachment A to reflect the redefined scope of work and for purposes of clarity.
- 4) The cost impacts that are expected to be incurred for the refined scope of work to monitor the Cap and Trade Program through the remainder of 2013 are outlined in new Attachment F, Contractors Cost Proposal for Updated 2013 Scope, dated May 8, 2013.

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.

Monitoring Analytics, LLC

Joseph Bowring signature on file
Authorized Signature

Joseph Bowring
Name

6/12/2013
Date

President
Title

Western Climate Initiative, Inc.

Patrick Cummins signature on file
Authorized Signature

Patrick Cummins
Name

6/12/2013
Date

Executive Director
Title

ATTACHMENT A
SCOPE OF WORK FOR CAP AND TRADE
MARKET MONITORING SERVICE
MAY 8, 2013

The scope of work in 2013 for the market monitor has been redefined in ten tasks as described below. This attachment replaces Attachment A contained in the original agreement 2012-03. More detail on these tasks is included in Attachment F, Contractors Cost Proposal for Updated 2013 Scope, dated May 8, 2013.

All final and revised deliverables provided to the jurisdictions under this contract shall be provided in redacted form to WCI, Inc.

Task 1. Prepare and Maintain a Security Plan

The purpose of this task is to provide WCI, Inc. and the participating jurisdictions with a documented plan for handling and communicating confidential information.

The contractor shall review and update their system security plan to capture jurisdiction-specific communication requirements. This includes adapting the ARB System Security Plan to handle confidential reporting to the specified jurisdiction authorities in California and Québec. Following receipt of comments on the draft plan, the contractor shall prepare a final plan that incorporates responses to the comments received.

The deliverables from this task include:

- A draft System Security Plan incorporating requirements for both Québec and California: March 2013;
- A final System Security Plan that addresses comments received: within 2 weeks of receiving final feedback; and
- Revisions to the System Security Plan as requested by WCI, Inc.: As Requested.

These deliverables shall be prepared in English.

Task 2. Prepare and Maintain a Monitoring Plan

The purpose of this task is to provide WCI, Inc. and the participating jurisdictions with a plan for how the contractor will monitor the Cap and Trade Program, including a description of the methods and metrics to be used. The monitoring plan shall describe the contractor's plan for monitoring allowance holdings, transfer activity, and secondary market activity (Task 3) and for auditing and monitoring the auctions (Task 6).

The monitoring plan will build on the existing ARB plan that has been used to monitor the California allowance auctions and market activity. The monitoring plan shall reflect

the specific needs of both the California and Québec programs, and the needs of the programs once they are linked.

The auction portion of the plan shall include the contractor's planned activities to monitor approving participants, flagging bids, rejecting bids, and certifying the auction. Protocols for the contractor to communicate potential issues to WCI, Inc. and appropriate jurisdiction authorities shall be included.

The contractor shall include the following elements in the monitoring plan:

- Roles and responsibilities
- Levels of authority
- Areas of coordination with regulators and the auction and reserve sale operator
- Avenues for referral to regulators
- Data requirements of market administrators and participants
- Resources to be applied to monitoring (staff, systems, software, and processes)
- Metrics proposed to be used, and proposed sources of information
- Reporting requirements of the market monitor
- Procedures for monitoring auctions, analyzing results, and assessing the effectiveness of market rules

The deliverables from this task include:

- A draft Market Monitoring Plan reflecting the specific needs for the Québec and California programs: April 2013;
- A final Market Monitoring Plan that addresses comments received: within 3 weeks of receiving final feedback;
- A draft Market Monitoring Plan for the linked programs: September 2013;
- A final Market Monitoring Plan for the linked programs that addresses comments received: within 3 weeks of receiving final feedback; and
- Revisions to the Market Monitoring Plan as requested by WCI, Inc.: As Requested.

These deliverables shall be prepared in English.

Task 3. Monitor Allowance Holdings, Transfer Activity, and Secondary Market Activity

The purpose of this task is to monitor the activity of allowance holders outside of the auctions for any allowance holding positions that may violate the regulations or provide opportunity to exercise market power.

The contractor shall gain primary and backup staff and system access to the required data, process the data into robust, usable formats, calculate appropriate metrics for analysis, and identify any issues found in allowance holdings and transfers. The contractor shall also identify and report any issues found in allowance market activity outside of CITSS using secondary market data sources.

Deliverables from this task include 1) ongoing analysis and communication of issues to authorized representatives of Québec and California on a weekly basis and more frequently as needed, and 2) the quarterly, annual, and *ad hoc* reports described in Task 10, which include the results of activities under this task as well as others. These deliverables shall be prepared in English.

Task 4. Independent Review of Participant Corporate Structure

The purpose of this task is to maintain a database of corporate structure information, such as corporate ownership and affiliates that can be used to track ownership and identify when market participants may be in violation of the regulations or may be in a position to exercise market power.

The contractor shall review ownership structures using collected data. This review will occur as part of the pre-auction monitoring process on a monthly basis between auctions. Based on this review, the contractor shall revise its ownership structure database. Where additional data elements would be useful, the contractor shall communicate suggested changes to data requirements to WCI, Inc. and the appropriate jurisdictions.

The deliverables from this task include ongoing analysis of corporate structures and affiliations, and communication of issues to the jurisdictions. The contractor shall also provide:

- an Excel spreadsheet template for maintaining a database of participant corporate structure; and
- prior to each auction, an Excel spreadsheet of participant corporate/parent information.

These deliverables shall be prepared in English.

Task 5. Review Regulation and Procedures

The purpose of this task is to review program guidance documents such as the Regulations and the Auction and Reserve Sale procedures and provide an independent opinion of any issues that may interfere with the efficient operation of the programs.

The contractor shall review the jurisdictions' regulations and Auction and Reserve Sale procedures and provide a written list of comments, issues, and any further clarifying questions that arise in our review of the jurisdictions' regulations, and the Auction and Reserve Sale procedures.

The contractor shall perform an initial review of the Regulations and subsequent review of any proposed or issued changes to the Regulations, and review of the Auction and Reserve Sale procedures of the jurisdictions and the Auction Administrator.

Deliverables from this task include

- Review of regulations: May 2013
- Review of auction requirements and procedures: April 2013
- Review of Reserve Sale requirements and procedures: within 3 weeks of receiving requirements and procedures;
- Review of proposed or adopted changes to regulations, requirements or procedures: As Requested

These deliverables shall be prepared in English.

Task 6. Audit and Monitor the Auctions

The purpose of this task is to monitor the conduct and administration of the Cap and Trade auctions, and provide an independent review of auction performance and results, and report on the outcomes.

The contractor shall monitor the auctions per the Monitoring Plan (Task 2), including observation of the auction conduct via conference call with the jurisdiction authorities and auction administrator, reviewing auction processes and compliance with regulations, acquiring and formatting auction data, and calculating and reporting auction metrics.

The contractor shall monitor and report on three auctions: the Québec practice auction in April, the Québec real auction in November, and the joint Québec – ARB practice auction in December.

Deliverables from this task include:

- Monitoring of each auction, including providing analyses and explanations of auction activities and outcomes to jurisdiction authorities; and
- Auction Report for each auction. The Auction Report will provide the contractor's opinion on whether the auction should be certified, information to support the jurisdictions' determination as to whether to certify the auction, and information for a public auction report to be released by the jurisdictions. The Auction Report will include a review of auction process issues including: processes and procedures; communications; security; and auction platform. The Auction Report will also include a review of the auction clearing including: participant behaviors or activities impacting auction outcomes; validation of auction results; and auction market metrics. The Auction Report will be provided to the jurisdictions two business days after the auction clearing has been calculated by the Auction Administrator. The contractor will be available to answer jurisdiction questions about the Auction Report as the jurisdiction evaluates whether or not to certify the auction results.

These deliverables shall be prepared in English.

Task 7. Linking Preparation Support

The purpose of this task is to provide data and analytical support to WCI, Inc. and the jurisdiction authorities related to the market monitoring requirements for linked programs. Upon request by WCI, Inc., the contractor shall:

- identify market monitoring requirements that may arise as a result of linking programs;
- propose approaches satisfying the requirements; and
- respond to questions regarding how best to achieve effective monitoring of linked programs.

Deliverables include memos and conversations as requested. These deliverables shall be prepared in English.

Task 8. Knowledge Transfer

The purpose of this task is to transfer knowledge between the contractor and jurisdiction authorities. The contractor shall be available upon request of WCI, Inc. to provide knowledge, advice, and recommendations based on experience with monitoring markets, and based on observations and lessons learned from the first year of the programs.

Deliverables include memos and conversations as requested. These deliverables shall be prepared in English.

Task 9. Meetings

The purpose of this task is to prepare for, conduct, document, and follow up on meetings and *ad hoc* communications that support the overall objective of the contractor providing effective support to the jurisdictions' market monitoring and surveillance activities. This task helps to establish and maintain a strong channel of communication among all parties involved in market monitoring.

The contractor shall prepare for, conduct, document, and follow up on meetings and provide *ad hoc* communications.

The deliverable is effectively managed communications among the contractor, WCI, Inc., and the jurisdictions, including written documentation of key communications. These deliverables shall be prepared in English.

Task 10. Quarterly, Annual, and Ad-Hoc Reports

The purpose of this task is to provide market monitoring reports on a quarterly, annual, and *ad-hoc* (as requested) basis.

The contractor shall collect, analyze, and report on data and issues in quarterly and annual reports to WCI, Inc. and the jurisdiction authorities. The quarterly reports and annual reports will provide a confidential review of the market(s) over the relevant, calendar-based reporting period, including analysis and observations regarding auctions, reserve sales, and secondary market activity in the reporting period. The quarterly and annual reports will provide auction bid metrics, market structure metrics, review of auction and secondary markets, and recommendations regarding market rules.

The contractor shall provide *ad hoc* reports as requested by WCI, Inc.

Deliverables include Quarterly Reports in July and October, an Annual Report in January, 2014, and Ad-hoc Reports as requested. These deliverables shall be prepared in English.

ATTACHMENT F
CONTRACTOR'S COST PROPOSAL FOR UPDATED 2013 SCOPE

MAY 8, 2013

The scope of work in 2013 for the market monitor has been redefined in ten tasks as described in the following attachment, *Cap and Trade Market Monitoring Service: Cost Proposal for Updated 2013 Scope*.

This Attachment replaces Attachment F contained in the original agreement 2012-03.

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Monitoring
Analytics

Monitoring Analytics, LLC

Cap and Trade Market Monitoring
Service: Cost Proposal for Updated
2013 Scope

Submitted to the Western Climate
Initiative, Inc. (WCI)

May 8, 2013

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Monitoring Analytics

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Patrick Cummins
Executive Director
Western Climate Initiative, Inc.
980 Ninth Street, Suite 1600
Sacramento, CA 95814

Dear Mr. Cummins:

Monitoring Analytics, LLC submits to WCI, Inc. this revised proposal for 2013 total costs, updated for costs that are expected to be incurred beyond the originally proposed scope.

Our original proposal included many assumptions about the structure of the Québec and California Cap and Trade Programs. Most notable was the assumption that Québec and ARB jurisdictions would conduct joint auctions in 2013. As some of the basic proposal assumptions have not materialized as expected, we are submitting to WCI, Inc. an updated total estimate resulting from the additional cost impacts that are expected to be incurred in monitoring the Cap and Trade Program through the remainder of 2013.

The original cost for the Market Monitoring Service for activities through December 31, 2013, including monitoring one joint Practice Auction and two real joint Auctions, was proposed as US [REDACTED]. The estimate for the additional scope as described in this document, which is to be added to the originally proposed [REDACTED] is [REDACTED]. This cost estimate has been reorganized to reflect specific tasks, outcomes, and deliverables, as requested by WCI, Inc. The total billing terms are proposed as time and materials, not to exceed the sum of [REDACTED].

Should you have any questions please contact me directly at 610-271-8051, or by email at Joseph.Bowring@MonitoringAnalytics.com.

Sincerely,

Joseph Bowring

President
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403

Cost Proposal for Updated 2013 Scope Summary

This cost estimate describes the revised 2013 total cost that is expected to be incurred, updated as a result of added scope beyond that which was originally proposed. This cost estimate has been reorganized to reflect specific tasks, outcomes, and deliverables, as requested by WCI, Inc.

The billing terms are proposed as time and materials, not to exceed the proposed sum for the contract term (through January 2014). This arrangement will give WCI, Inc. and the participating jurisdiction the flexibility to call on Monitoring Analytics to complete the required monitoring tasks, and provide monitoring support as described in the task scope descriptions.

Scope of Auctions in the Cost Estimate

This cost estimate includes monitoring of a single Québec Practice Auction in April, a practice auction conducted jointly by Québec and the California ARB in December, and a Québec real auction in November, 2013. The processes and work performed by Monitoring Analytics are assumed to have the same level of effort for a Practice Auction as for a real Auction.

The scope of work has been redefined in ten tasks. The following explains in detail the tasks, deliverables, and expected timelines for each. These scope descriptions also include the total 2013 hours and total 2013 cost expected for each subtask. For a breakout of hours by resource for each of the tasks and subtasks, please see Appendix B.

1. Prepare and Maintain a Security Plan

The purpose of this task is to provide WCI, Inc. and the participating jurisdictions with a documented plan for handling and communicating confidential information.

The contractor shall review and update their system security plan to capture jurisdiction-specific communication requirements. This includes adapting the ARB System Security Plan to handle confidential reporting to the specified jurisdiction authorities in California and Québec. Following receipt of comments on the draft plan, the contractor shall prepare a final plan that incorporates responses to the comments received.

The deliverables from this task include:

- A draft System Security Plan incorporating requirements for both Québec and California: March 2013;
- A final System Security Plan that addresses comments received: within 2 weeks of receiving final feedback; and
- Revisions to the System Security Plan as requested by WCI, Inc.: As Requested.

These deliverables shall be prepared in English.

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

2. Prepare and Maintain a Monitoring Plan

The purpose of this task is to provide WCI, Inc. and the participating jurisdictions with a plan for how the contractor will monitor the Cap and Trade Program, including a description of the methods and metrics to be used. The monitoring plan shall describe the contractor's plan for monitoring allowance holdings, transfer activity, and secondary market activity (Task 3) and for auditing and monitoring the auctions (Task 6).

The monitoring plan will build on the existing ARB plan that has been used to monitor the California allowance auctions and market activity. The monitoring plan shall reflect the specific needs of both the California and Québec programs, and the needs of the programs once they are linked.

The auction portion of the plan shall include the contractor's planned activities to monitor approving participants, flagging bids, rejecting bids, and certifying the auction. Protocols for the contractor to communicate potential issues to WCI, Inc. and appropriate jurisdiction authorities shall be included.

The contractor shall include the following elements in the monitoring plan:

- Roles and responsibilities
- Levels of authority
- Areas of coordination with regulators and the auction and reserve sale operator
- Avenues for referral to regulators
- Data requirements of market administrators and participants
- Resources to be applied to monitoring (staff, systems, software, and processes)
- Metrics proposed to be used, and proposed sources of information
- Reporting requirements of the market monitor
- Procedures for monitoring auctions, analyzing results, and assessing the effectiveness of market rules

The deliverables from this task include:

- A draft Market Monitoring Plan reflecting the specific needs for the Québec and California programs: April 2013;
- A final Market Monitoring Plan that addresses comments received: within 3 weeks of receiving final feedback;
- A draft Market Monitoring Plan for the linked programs: September 2013;

- A final Market Monitoring Plan for the linked programs that addresses comments received: within 3 weeks of receiving final feedback; and
- Revisions to the Market Monitoring Plan as requested by WCI, Inc.: As Requested.

These deliverables shall be prepared in English.

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

3. Monitor Allowance Holdings, Transfer Activity, and Secondary Market Activity

The purpose of this task is to monitor the activity of allowance holders outside of the auctions for any allowance holding positions that may violate the regulations or provide opportunity to exercise market power.

The contractor shall gain primary and backup staff and system access to the required data, process the data into robust, usable formats, calculate appropriate metrics for analysis, and identify any issues found in allowance holdings and transfers. The contractor shall also identify and report any issues found in allowance market activity outside of CITSS using secondary market data sources.

Deliverables from this task include 1) ongoing analysis and communication of issues to authorized representatives of Québec and California on a weekly basis and more frequently as needed, and 2) the quarterly, annual, and *ad hoc* reports described in Task 10, which include the results of activities under this task as well as others. These deliverables shall be prepared in English.

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

4. Independent Review of Participant Corporate Structure

The purpose of this task is to maintain a database of corporate structure information, such as corporate ownership and affiliates that can be used to track ownership and identify when market participants may be in violation of the regulations or may be in a position to exercise market power.

The contractor shall review ownership structures using collected data. This review will occur as part of the pre-auction monitoring process on a monthly basis between auctions. Based on this review, the contractor shall revise its ownership structure database. Where additional data elements would be useful, the contractor shall

communicate suggested changes to data requirements to WCI, Inc. and the appropriate jurisdictions.

The deliverables from this task include ongoing analysis of corporate structures and affiliations, and communication of issues to the jurisdictions. The contractor shall also provide:

- an Excel spreadsheet template for maintaining a database of participant corporate structure; and
- prior to each auction, an Excel spreadsheet of participant corporate/parent information.

These deliverables shall be prepared in English.

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

5. Review Regulation and Procedures

The purpose of this task is to review program guidance documents such as the Regulations and the Auction and Reserve Sale procedures and provide an independent opinion of any issues that may interfere with the efficient operation of the programs.

The contractor shall review the jurisdictions' regulations and Auction and Reserve Sale procedures and provide a written list of comments, issues, and any further clarifying questions that arise in our review of the jurisdictions' regulations, and the Auction and Reserve Sale procedures.

The contractor shall perform an initial review of the Regulations and subsequent review of any proposed or issued changes to the Regulations, and review of the Auction and Reserve Sale procedures of the jurisdictions and the Auction Administrator.

Deliverables from this task include

- Review of regulations: May 2013
- Review of auction requirements and procedures: April 2013
- Review of Reserve Sale requirements and procedures: within 3 weeks of receiving requirements and procedures;
- Review of proposed or adopted changes to regulations, requirements or procedures: As Requested

These deliverables shall be prepared in English.

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

6. Audit and Monitor the Auctions

The purpose of this task is to monitor the conduct and administration of the Cap and Trade auctions, and provide an independent review of auction performance and results, and report on the outcomes.

The contractor shall monitor the auctions per the Monitoring Plan (Task 2), including observation of the auction conduct via conference call with the jurisdiction authorities and auction administrator, reviewing auction processes and compliance with regulations, acquiring and formatting auction data, and calculating and reporting auction metrics.

The contractor shall monitor and report on three auctions: the Québec practice auction in April, the Québec real auction in November, and the joint Québec – ARB practice auction in December.

Deliverables from this task include:

- Monitoring of each auction, including providing analyses and explanations of auction activities and outcomes to jurisdiction authorities; and
- Auction Report for each auction. The Auction Report will provide the contractor's opinion on whether the auction should be certified, information to support the jurisdictions' determination as to whether to certify the auction, and information for a public auction report to be released by the jurisdictions. The Auction Report will include a review of auction process issues including: processes and procedures; communications; security; and auction platform. The Auction Report will also include a review of the auction clearing including: participant behaviors or activities impacting auction outcomes; validation of auction results; and auction market metrics. The Auction Report will be provided to the jurisdictions two business days after the auction clearing has been calculated by the Auction Administrator. The contractor will be available to answer jurisdiction questions about the Auction Report as the jurisdiction evaluates whether or not to certify the auction results.

These deliverables shall be prepared in English.

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

7. Linking Preparation Support

The purpose of this task is to provide data and analytical support to WCI, Inc. and the jurisdiction authorities related to the market monitoring requirements for linked programs. Upon request by WCI, Inc., the contractor shall:

- identify market monitoring requirements that may arise as a result of linking programs;
- propose approaches satisfying the requirements; and
- respond to questions regarding how best to achieve effective monitoring of linked programs.

Deliverables include memos and conversations as requested. These deliverables shall be prepared in English.

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

8. Knowledge Transfer

The purpose of this task is to transfer knowledge between the contractor and jurisdiction authorities. The contractor shall be available upon request of WCI, Inc. to provide knowledge, advice, and recommendations based on experience with monitoring markets, and based on observations and lessons learned from the first year of the programs.

Deliverables include memos and conversations as requested. These deliverables shall be prepared in English.

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

9. Meetings

The purpose of this task is to prepare for, conduct, document, and follow up on meetings and ad hoc communications that support the overall objective of the contractor providing effective support to the jurisdictions' market monitoring and surveillance activities. This task helps to establish and maintain a strong channel of communication among all parties involved in market monitoring.

The contractor shall prepare for, conduct, document, and follow up on meetings and provide ad hoc communications.

The deliverable is effectively managed communications among the contractor, WCI, Inc., and the jurisdictions, including written documentation of key communications. These deliverables shall be prepared in English.

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

10. Quarterly, Annual, and Ad-Hoc Reports

The purpose of this task is to provide market monitoring reports on a quarterly, annual, and ad-hoc (as requested) basis.

The contractor shall collect, analyze, and report on data and issues in quarterly and annual reports to WCI, Inc. and the jurisdiction authorities. The quarterly reports and annual reports will provide a confidential review of the market(s) over the relevant, calendar-based reporting period, including analysis and observations regarding auctions, reserve sales, and secondary market activity in the reporting period. The quarterly and annual reports will provide auction bid metrics, market structure metrics, review of auction and secondary markets, and recommendations regarding market rules.

The contractor shall provide *ad hoc* reports as requested by WCI, Inc.

Deliverables include Quarterly Reports in July and October, an Annual Report in January, 2014, and Ad-hoc Reports as requested. These deliverables shall be prepared in English.

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

Total 2013 Cost

The total cost for the Market Monitoring scope, including the added scope discussed above, through December 2013, is US [REDACTED].

Specific Costs

An additional [REDACTED] of incremental “Technical Infrastructure” costs is assumed to develop and support a separate secure data communication infrastructure with the jurisdictions.

Task	Total Cost Through 2013
1. Develop System Security Plan	
2. Develop Market Monitoring Plan	
3. Monitor Allowance/Transfer Activity	
4. Independent Review of Participant Corporate Sstructure	
5. Review Regulation and Procedures	
6. Audit and Monitor Auctions	
7. Assist QC and CA with Linking Prep	
8. Knowledge Transfer	
9. Meetings	
10. Reports	
Technical Infrastructure Cost	
Total 2013 Cost	

Appendix A: Hourly Rates by Resource

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

Appendix B: Hours by Task by Resource

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