

CONTRACT AMENDMENT: 2012-04-003

Agreement number 2012-04 between Markit Group Limited (Markit or Contractor) and Western Climate Initiative, Inc. (WCI, Inc.), which was executed by the parties on January 14, 2013 and amended on May 28, 2013 (Amendment 2012-04-001) and on January 3, 2014 (Amendment 2012-04-002), is hereby further amended as follows:

SUMMARY OF CHANGES

| | |
|-----------------------------------|--|
| Amendment Number | 003 |
| Effective Date for Amendment: | June 1, 2015 |
| Current Agreement Amount: | \$1,356,506 |
| Changes to the Agreement Amount: | Net increase of \$146,685 |
| Amended Maximum Agreement Amount: | \$1,503,191 |
| Current Agreement Term: | Thirty-six months, beginning on January 1, 2013 and ending on December 31, 2015. |
| Agreement Term as Amended: | Forty-eight months, beginning on January 1, 2013 and ending on December 31, 2016. |
| Extension of Tasks: | Tasking has been updated to enable auctions and reserve sales to be conducted in 2016, at WCI, Inc.'s discretion. |

PURPOSE OF THIS AMENDMENT

Extend the term and budget for Markit to provide cap-and-trade auction and reserve sale activities and support services through December 31, 2016, to the extent necessary.

SPECIFIC TERMS AND CONDITIONS WHICH CONSTITUTE THE AMENDMENT

The agreement referenced above is modified as follows:

- 1) Term: Line 2 of the Standard Agreement cover page is changed to **"Forty-eight months, beginning on January 1, 2013 and ending on December 31, 2016."**
- 2) Maximum amount of agreement: Line 3 of the Standard Agreement cover page is changed to **"\$1,503,191."**
- 3) Attachment A-2, Scope of Work for Implementation of Multi-Jurisdiction Allowance Auctions, dated April 20, 2015, is appended to the existing agreement following Attachment A-1 dated December 5, 2013, beginning on page A-15.
- 4) Attachment B, Section A "Invoicing and Payment", is modified as follows:
 - a. "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, ~~and~~ Attachment F-1, dated December 5, 2013 **and Attachment F-2, dated April 20, 2015."**

- b. "Each item in the invoice must correspond to costs identified in this attachment, Attachment F, dated May 17, 2013, ~~and~~ Attachment F-1, dated December 5, 2013, and Attachment F-2, dated April 20, 2015."

EXPLANATION OF CHANGES

- 1) The contract has been amended to allow Markit to provide auctions and reserve sales for an additional year, through December 31, 2016. The increase in funding provided by this amendment accounts for realized and expected costs savings. These include 1) WCI, Inc. paying for a QC-only auction in Q2-2014 instead of a joint auction, 2) WCI, Inc. paying for CA and QC reserve sales that are scheduled but not held, 3) WCI, Inc. not paying for QC reserve sales from Q3-2014 through Q2-2015 because they were not scheduled or held, and 4) WCI, Inc. not paying for or acquiring all MAP development work previously anticipated. These savings amount to \$358,315. The cost of services in 2016, assuming four joint auctions and one reserve sale held and completed by each jurisdiction, is \$505,000. Thus, the net increase in the maximum agreement amount is \$146,685.

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

Signature on File
Authorized Signature

Jeff Gooch
Name

May 22, 2015
Date

Chief Financial Officer
Title

Western Climate Initiative, Inc.

Signature on File
Authorized Signature

Greg Tamblyn
Name

May 22, 2015
Date

Executive Director
Title

Justification for a Contract Amendment to Contract 2012-04: Implementation of Multi-Jurisdiction Allowance Auctions

April 20, 2015

Introduction

Most of the administrative support provided by WCI, Inc. is highly technical or specialized and has been developed through the use of contractors. In January 2013, WCI, Inc. contracted with Markit Group Limited (Markit) to implement auction and reserve sales (Contract 2012-04). In May 2013, WCI, Inc. amended the contract to update the schedule, activities, and budget to accommodate the California and Québec linking schedule (Contract Amendment 2012-04-001). In December 2013, WCI, Inc. amended the contract a second time to enable auction and reserve sale services to continue through 2015, as well as to add a transition-out task and some further functionality to the auction platform (Contract Amendment 2012-04-002).

On March 18, 2015, WCI, Inc. released a request for proposal for auction and reserve sale administrator services for the 2016-2020 period. To ensure there is adequate time for transition from current contract services to new contract services, WCI, Inc. proposes to extend the term and budget of its current contract with Markit to provide services, until WCI, Inc. no longer requests, up to December 31, 2016.

Description of Services

The services being procured through the proposed amendment are for cap-and-trade auction and reserve sale activities and support services through 2016, as requested by the Participating Jurisdictions.

Tasking includes quarterly auctions, quarterly California reserve sales, up to four quarterly Québec reserve sales held upon request, hosting and maintenance of the auction platform, and cyber insurance.

Procurement Approach

The competitive procurement process that resulted in the initial selection of Markit to provide auction and reserve sale services has been described previously and approved by the WCI, Inc. Board of Directors.

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

Administration of auction and reserve sales needs to continue uninterrupted and on schedule while services are developed and implemented under a new services contract for the 2016-2020 period.

A contract modification is being proposed as the procurement vehicle to retain these required services. Continuing to work with the existing service provider to the extent necessary in 2016 will best enable WCI, Inc. to maintain the stability of the program while implementing services for the longer term. This approach enables the jurisdictions and WCI, Inc. to take advantage of the significant investments that have already been made in the programmatic infrastructure; Markit has extensively configured the Markit Auction Platform (MAP) for California's and Québec's individual and linked cap-and-trade auctions based on the individual jurisdictions cap-and-trade regulatory requirements.

WCI, Inc. and Participating Jurisdiction staff approached Markit to confirm their interest in and availability to continue this work as necessary through 2016. The contract amendment with Markit was developed by WCI, Inc. staff with input from and review by the Participating Jurisdictions.

No additional steps have been taken to tender auction and reserve sale administration services while long-term services are being implemented in 2015-2016 under the request for proposal noted above.

Justification for a Non-Competitive Procurement

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.

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

2016 Technical and Cost Proposal

Submitted to Western Climate Initiative, Inc.

April 20, 2015

This proposal will be added to the WCI, Inc. contract as Attachment F-2. It does not replace the current proposals included as Attachments F and F-1, although it does update certain tasks in Attachment F-1.

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Summary

This document describes additional scope and budget needed to enable individual and multi-jurisdiction allowance auctions and reserve sales in 2016, including hosting and maintenance of the Markit Auction Platform (MAP).

Scope of Work

This scope of work covers the single and multi-jurisdictional auctions and reserve sales for California and Quebec during 2016, including cyber insurance and hosting and maintenance of the MAP. New and revised tasks are identified below.

Task 8 (revised) – Cyber Insurance

Task 12 (revised) – Quarterly Auctions

c) Individual jurisdictional auction

d) Multi-jurisdictional auction

Task 13 (revised) – California Only Reserve Sales

Task 14 (revised) – Quebec Only Reserve Sales

Task 16 (new) – Maintenance and Hosting

Cost Proposal Summary

This section contains tasks from the existing contract as amended on December 5, 2013, updated to reflect their scope and cost for 2016, as well as new Task 16. The costs are broken down by task.

Task 8 is an annual charge that will be agreed in December 2015 and invoiced in February 2016, for 2016 insurance. Task 12-14 will be charged on an event basis, following the successful completion of each event. Task 16 will be charged in arrears on a monthly basis.

WCI, Inc. may request enhancements and modifications (e.g., to accommodate changes in jurisdiction regulations) that impact MAP functionality. Any such work requested after Release 4 deployment to production in 2015 including any work described in Tasks 4, 5, and 11 and in version 2.8 or later of the Development Spreadsheet will be billed at a rate of \$1,500 per day. All enhancements will be subject to the following notice timeframes:

- (a) Deployment to production within 3 months of notice on enhancements requiring less than 2 days' work effort;
- (b) Deployment to production within 4 months of notice on enhancements requiring 2 – 8 days work effort; and
- (c) Deployment to production within 6 months of notice on enhancements requiring greater than 8 days of work effort.

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

Task 8: Cyber insurance costs

Task 8 paragraph is unchanged but the table is amended to reflect changes in total cost in 2016.

| | Description | Change in Cost (USD) |
|---|---------------------------------------|----------------------|
| 1 | Actual costs up to \$12,000 per year. | \$12,000 |

Task 12: Quarterly Auctions

Markit will provide up to four quarterly California and Quebec linked auctions in 2016 at the prices shown below. WCI, Inc. may opt to revert from a linked auction to two individual jurisdiction auctions (i.e., California only and Quebec only auctions) based on the prices below.

Task 12c). Individual jurisdictional auction in 2016

Specific cost details have been removed from the public document for business confidentiality competitiveness reasons.

| Description | Cost USD |
|--|----------|
| Quarterly California or Quebec only auction services from set up through auction application and closure with no applicants | |
| Quarterly California or Quebec only auction services from set up through auction application approval and closure with no qualified applicants | |
| Completed quarterly California or Quebec only auction | |

Task 12d). Multi-jurisdictional auction in 2016

Specific cost details have been removed from the public document for business confidentiality competitiveness reasons.

| Description | Cost USD |
|---|----------|
| Quarterly California and Quebec Linked auction services from set up through auction application and closure with no applicants | |
| Quarterly California and Quebec Linked auction services from set up through auction application approval and closure with no qualified applicants | |
| Completed Quarterly California and Quebec Linked auction | |

Task 13: Conduct California Only Reserve Sale

Markit will provide up to four quarterly California reserve sales in 2016 at the prices shown below. The extent of work will depend on the level of participation in the reserve sale, as shown in the table below for 2016.

Specific cost details have been removed from the public document for business confidentiality competitiveness reasons.

| Description | Cost USD |
|--|----------|
| Quarterly California reserve sale services from set up through auction application and closure with no applicants | |
| Quarterly California reserve sale services from set up through auction application approval and closure with no qualified applicants | |
| Completed quarterly California reserve sale | |

Task 14: Conduct Quebec Only Reserve Sale/s

Markit will provide up to four Quebec reserve sales in 2016 at the prices shown below. The extent of work will depend on the level of participation in the reserve sale, as shown in the table below for 2016.

Québec reserve sales must be scheduled by WCI, Inc. through written notice. Markit will schedule a Quebec reserve sale within 90 days of this notice. The date of the sale will be determined through mutual agreement by Markit and WCI, Inc.

Specific cost details have been removed from the public document for business confidentiality competitiveness reasons.

| Description | Cost USD |
|--|----------|
| Quebec reserve sale services from set up through auction application and closure with no applicants | |
| Quebec reserve sale services from set up through auction application approval and closure with no qualified applicants | |
| Completed Quebec reserve sale | |

Task 16: Hosting and Maintenance of the Auction and Reserve Sale Platform

Markit will provide maintenance and hosting for the WCI, Inc. auction and reserve sale platform throughout the term of this contract. For 2016, maintenance and hosting will be charged on a monthly basis, as shown in the table below. Maintenance and hosting includes any corrective and emergency maintenance (i.e. "bug fixes"), defined as repairing existing functionality that once worked but no longer works.

Specific cost details have been removed from the public document for business confidentiality competitiveness reasons.

| | Description | Cost USD/month |
|--------------|---|----------------|
| 1 | Maintenance and hosting of the Auction Platform Application, including, corrective and emergency maintenance (i.e. "bug fixes") and systems and infrastructure (servers, network, etc), periodic upgrades, and 24x7 monitoring. | |
| Total | | |

2014-2016 Budget Summary

Details have been removed from the public document for business confidentiality and competitiveness reasons.

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**ATTACHMENT A-2
SCOPE OF WORK FOR IMPLEMENTATION OF
MULTI-JURISDICTION ALLOWANCE AUCTIONS
APRIL 20, 2015**

This revised scope of work for the auction service provider updates Task 12 and adds Task 16. This attachment supplements Attachments A and A-1. Additional detail, including changes in funding, is included in Attachment F-2, 2016 Technical and Cost Proposal, dated April 20, 2015.

Markit will continue to provide MAP and Auction Support Services (in English and French) continuously during the term of this contract.

Task 12: Quarterly Auctions

Markit will provide up to four quarterly California and Quebec linked auctions in 2016. WCI, Inc. may opt to revert from a linked auction to two individual jurisdiction auctions (i.e., California only and Quebec only auctions).

Task 12c). Individual jurisdictional auction in 2016

| Description |
|--|
| Quarterly California or Quebec only auction services from set up through auction application and closure with no applicants |
| Quarterly California or Quebec only auction services from set up through auction application approval and closure with no qualified applicants |
| Completed quarterly California or Quebec only auction |

Task 12d). Multi-jurisdictional auction in 2016

| Description |
|---|
| Quarterly California and Quebec Linked auction services from set up through auction application and closure with no applicants |
| Quarterly California and Quebec Linked auction services from set up through auction application approval and closure with no qualified applicants |
| Completed Quarterly California and Quebec Linked auction |

Task 16: Hosting and Maintenance of the Auction and Reserve Sale Platform

Markit will provide maintenance and hosting for the WCI, Inc. auction and reserve sale platform throughout the term of this contract. For 2016, maintenance and hosting will be charged on a monthly basis. Maintenance and hosting includes any corrective and emergency maintenance (i.e. "bug fixes"), defined as repairing existing functionality that once worked but no longer works.

| Description |
|---|
| Maintenance and hosting of the Auction Platform Application, including, corrective and emergency maintenance (i.e. "bug fixes") and systems and infrastructure (servers, network, etc), periodic upgrades, and 24x7 monitoring. |