



August 13, 2008

**Western Climate Initiative Partners**

**Re: APX Comments to the WCI Partners regarding the July 23, 2008 Draft Essential Requirements of Mandatory Reporting for the Western Climate Initiative**

APX Inc. thanks the Western Climate Initiative's (WCI) Partners regarding this opportunity to submit comments on its July 23, 2008 draft mandatory reporting document. We commend the Partners for their efforts to date on this comprehensive, broad-based regional program.

APX is the leading infrastructure provider for environmental and energy markets in renewable energy and greenhouse gases including carbon commodities. Providing a bank and mint for environmental commodities, the APX Environmental Market Depository™ is trusted to create, track, manage, and retire renewable energy certificates (RECs), energy efficiency and conservation certificates, carbon offset credits such as verified emissions reductions (VERs), and greenhouse gas emission allowances.

The company is the system of choice for every major renewable energy market in North America and greenhouse gas markets worldwide. APX also provides the highest quality transaction and data infrastructure for the tracking of offsets and allowances, including such systems as the California Climate Action Registry, the Voluntary Carbon Standard and The Gold Standard. In addition, APX provides technology, strategic consulting, and expert operational services to assist wholesale power market participants reduce costs and improve performance in power scheduling, settlement, market operations, system operations support, and demand response programs. A privately held company, APX is

**General Comment on the WCI's July 23, 2008 Mandatory Reporting Document**

Since the WCI's Mandatory Reporting document appears to solely focus on emissions reporting, and not the reporting, tracking and verification of offsets and allowances, we wanted to raise the importance of ensuring that whatever system the WCI designs for the reporting of emissions, that it easily integrate into the allowance and offsets tracking, reporting and accounting systems.

We view emissions reporting as separate and distinct from the creation, verification, serialization, reporting, tracking, trading, and retirement of emission allowances and offset credits. The treatment of offsets and allowances is inherently transactional in nature and requires very different core technology competencies than the emissions reporting of static time stamped information. Both offsets and allowances are tracked using serial numbers; both have market value; both are traded and transacted; and both are retired. Further, market oversight requirements will likely emerge in a cap and trade world

that will necessitate the potential tracking of transaction prices, volumes, positions, trading limits or position limits, tracking of intermediate transactions between counterparties, the potential need to report exchange transactions, forensic reporting and full audit trail capabilities for every transaction for the lifetime of the program, and the ability to investigate the possibility of fraud or manipulation in the marketplace via queries and reports of historical information.

To be sure, emissions reporting systems must work hand in hand with offset and allowance tracking systems, and we believe strongly that this can be achieved to provide an integrated market system for WCI.

APX is pleased to draw on its broad experience in developing transactional-based certificate tracking and reporting systems to provide these comments, and looks forward to our further participation in the WCI stakeholder processes. Please feel free to email with any questions: [jmelby@apx.com](mailto:jmelby@apx.com) or [gguzy@apx.com](mailto:gguzy@apx.com). Thank you.

Sincerely,

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