

# **2017 Detailed Auction Requirements and Instructions**

**California Cap-and-Trade Program and  
Québec Cap-and-Trade System Joint  
Auction of Greenhouse Gas Allowances**

**Updated on June 16, 2017**

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# I. INTRODUCTION

## A. Background

Assembly Bill 32 (AB 32) requires California to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020. The California Scoping Plan and the subsequent Scoping Plan Update approved in 2014 lay out the steps to reduce California's GHG emissions by 2020, and maintain and continue those reductions beyond 2020. The Cap-and-Trade Regulation (California Regulation) is a key element of California's Scoping Plan. The California Cap-and-Trade Program is administered by the California Air Resources Board (ARB).

Similarly, Québec's Environment Quality Act requires that the province of Québec reduce GHG emissions. The Government of Québec approved the 2013-2020 Climate Change Action Plan (2020 CCAP) as a measure to fight climate change in 2013 and beyond, and adopted the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec Regulation). The Québec Cap-and-Trade System is administered by Québec's ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC).

On January 1, 2014, the California Cap-and-Trade Program and Québec Cap-and-Trade System officially linked, enabling the mutual acceptance of compliance instruments issued by each jurisdiction, and the jurisdictions to hold joint auctions of GHG allowances. As part of the California Cap-and-Trade Program and the Québec Cap-and-Trade System, ARB and MDDELCC hold joint GHG allowance auctions to allow market participants to acquire GHG allowances.

This document, 2017 Detailed Auction Requirements and Instructions, includes the detailed requirements and instructions for participating in a joint auction.

Entities registered under the California Cap-and-Trade Program and entities registered under the Québec Cap-and-Trade System will follow a similar process to apply for and participate in a joint auction; however there are minor distinctions that are outlined in this document. Entities registered under the California Cap-and-Trade Program should always refer to the California Regulation. Entities registered under the Québec Cap-and-Trade System should always refer to the Québec Regulation.

## B. General Terms Used in Auction Notices and Supporting Documents

For the purpose of the Auction Notice, 2017 Detailed Auction Requirements and Instructions, and 2017 Auction Examples documents, the following general terms are used to describe potential auction participants and systems used:

- **“Advance Auction”** refers to the auction of allowances from the future budget year three years subsequent to the current calendar year.
- **“Applicant”** refers to an entity for which its Primary Account Representative (PAR) or an Alternate Account Representative (AAR) has submitted an application to participate in an auction or reserve sale (event).
- **“Approval or rejection of auction participation”** refers to the determination to approve or deny an entity’s participation in an auction by ARB or MDDELCC per section 95912(d) of the California Regulation and per Article 47 of the Québec Regulation.
- **“Auction Administrator”** refers to Markit Group Limited, the party contracted by WCI, Inc. to provide Auction and Reserve Sale Administrative Services to WCI, Inc. Participating Jurisdictions.
- **“Auction Exchange Rate”** refers to the exchange rate used in the Auction Reserve Price determination as described in section 95911(c)(3) of the California Regulation and in Article 49 of the Québec Regulation.
- **“Auction Notice”** refers to the official auction notice that will be released for each auction, notifying participants of the upcoming allowance auction as described in section 95912(c) of the California Regulation and in Article 45 of the Québec Regulation. Release of an Auction Notice signals the beginning of the application period for an auction.
- **“Auction Platform”** refers to the electronic platform through which auctions and reserve sales are conducted. The Auction Platform can be accessed at <https://www.wci-auction.org/ca> or <https://www.wci-auction.org/qc>.
- **“Auction Reserve Price”** refers to the minimum price of an allowance in an auction in section 95911(c)(3) of the California Regulation and in Article 49 of the Québec Regulation.

- **“Auction Summary Results Report”** refers to the official written summary of results of the auction including the settlement price and list of Qualified Bidders as described in section 95912(k)(5) of the California Regulation and in Article 55 of the Québec Regulation.
- **“Bid Guarantee”** refers to the financial assurance provided by registered participants for the purpose of bidding in an auction, as described in section 95912(j) of the California Regulation and in Article 48 of the Québec Regulation.
- **“Bank Transfer”** or **“Wire Transfer”** refers to an electronic funds transfer, generally in the context of a bid guarantee sent to the Financial Services Administrator or returned from the Financial Services Administrator. For simplicity, this document uses the term wire transfer.
- **“CA entity”** refers to all entities registered under the California Cap-and-Trade Program: covered entities, opt-in covered entities, and voluntarily associated entities.
- **“CITSS”** refers to the Compliance Instrument Tracking System Service, the web-based system used to register participants and track allowances and credits from issuance to retirement.
- **“Corporate Association Group”** refers to a group of separate accounts in CITSS held by entities with a direct corporate association as defined in the California Regulation pursuant to section 95833(a) and related entities as defined in Article 9 of the Québec Regulation.
- **“Current Auction”** refers to the auction of allowances from the current and previous budget years.
- **“Entity”** means a person, firm, association, organization, partnership, business trust, corporation, limited liability company, company, or government agency.
- **“Financial Services Administrator”** refers to Deutsche Bank National Trust Company, the entity contracted by WCI, Inc. to provide Financial Services Administration for Auction and Reserve Sales to WCI, Inc. Participating Jurisdictions.
- **“General Market Participant”** refers to all voluntarily associated entities as defined in the California Regulation and participants as defined in the

Québec Regulation. A General Market Participant may include a General Market Participant - Organization or General Market Participant - Individual.

- “**Participant**” refers to a CA entity or QC entity that is an Applicant, Qualified Applicant, or Qualified Bidder.
- “**Participating Jurisdiction**” refers to a jurisdiction with at least one representative serving on the WCI, Inc. Board of Directors receiving services from WCI, Inc. for the administration of allowance auctions.
- “**QC entity**” refers to all entities registered under the Québec Cap-and-Trade System: emitters and participants.
- “**Qualified Applicant**” refers to an entity that has submitted an application to participate in an auction or reserve sale and has submitted a bid guarantee that was accepted by the Financial Services Administrator.
- “**Qualified Bidder**” refers to an entity that has submitted an auction application to participate in an auction or reserve sale, has submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the auction or reserve sale.
- “**Qualified Bids**” are the bids that remain after a participant’s submitted bids have been evaluated and reduced to meet all bidding limitations.
- “**Settlement Price**” is the price that all successful bidders will pay for their allowances. The settlement price for the Current Auction will be determined separately from the settlement price for the Advance Auction.

### **C. Dates of 2017 Joint Auctions**

Joint Auctions anticipated to take place in 2017 are as follows:

- February 2017 Joint Auction #10: February 22, 2017
- May 2017 Joint Auction #11: May 16, 2017
- August 2017 Joint Auction #12: August 15, 2017
- November 2017 Joint Auction #13: November 14, 2017

## **II. AUCTION ADMINISTRATION**

### **A. Allowances Offered for Sale**

Allowances offered for sale during a Joint Auction are issued under the California Cap-and-Trade Program and the Québec Cap-and-Trade System. The number of allowances listed in the Auction Notice for the Current Auction includes California state- and Québec provincial-owned allowances and California allowances consigned by electrical distribution utilities and natural gas suppliers (consigning entities) and potentially other parties as described in the California Regulation. The allowances listed for the Current Auction can include allowances that remain unsold from an undersubscribed 2016 Current Auction and are returned to auction after two consecutive Current Auctions have resulted in a settlement price above the Auction Reserve Price. Additional allowances may also be made available for auction from closed Compliance Instrument Tracking System Service (CITSS) accounts, allowances submitted for untimely surrender obligations, and the potential return of freely allocated allowances as the result of an enforcement settlement. In each of these situations, the vintages may not be the same as the current calendar year, or the allowances may be an allowance type with no vintage if they were purchased from a jurisdiction's Reserve Sale.<sup>1</sup> For allowances awarded in the Current Auction, allowances will be transferred to successful bidders according to the requirements of the California Regulation and the Québec Regulation.

### **B. Auction Exchange Rate and Auction Reserve Price**

The Auction Exchange Rate and Auction Reserve Price are required for joint auction currency management. The Auction Exchange Rate (USD to CAD) in effect for the joint auction will be set the business day prior to the joint auction as the most recently available daily buying rate for USD and CAD as published by the Bank of Canada. QC entities may participate in joint auctions using either United States Dollars (USD) or Canadian Dollars (CAD). CA entities may only participate in joint auctions using USD. In the Auction Platform, the Auction Exchange Rate is displayed as USD to CAD FX Rate.

The Auction Reserve Price will be determined as the higher of the California or Québec Annual Reserve Prices after applying the established Auction Exchange Rate. The Auction Reserve Price is the lowest price at which allowances offered

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<sup>1</sup> Québec Sales by Mutual Agreement are referred to as Reserve Sales for simplicity.

in the Current Auction and Advance Auction will be sold. Bids submitted with a Bid Price below the Auction Reserve Price will not be accepted.

The value of all bids and bid guarantees submitted in CAD will be converted into USD in whole cents using the established Auction Exchange Rate to conduct the auction in a single currency, including the evaluation of bids on a common basis. All bid assessments, the settlement price, and the cost of all allowances awarded will be determined in USD. For any QC entity participating using CAD, the total cost of allowances is first determined in USD (USD settlement price multiplied by number of allowances awarded) and then converted to a CAD value based on the Auction Exchange Rate so the entity can complete financial settlement in CAD.

Provided below is an example of the determination of the Auction Reserve Price based on a hypothetical Auction Exchange Rate.

Based on the 2017 Annual Reserve Prices of \$13.57 USD and \$13.56 CAD, if the daily buying rate for USD and CAD as published by the Bank of Canada is 1.1000 (USD to CAD), then the California Annual Reserve Price at \$13.57 would be the higher of the California and Québec Annual Reserve Prices, as compared to the \$12.33 USD value of the Québec Annual Reserve Price ( $\$13.56 \text{ CAD} / 1.1000 = \$12.3272 \text{ USD}$ , which rounds to \$12.33 USD). The amounts shown in bold in Table 1 below reflect the values that would be the Auction Reserve Price in this example of \$13.57 in USD and \$13.56 in CAD ( $\$13.57 \text{ USD} * 1.1000 = \$14.9270$ , which rounds to \$14.93 CAD).

**Table 1: Example Auction Exchange Rate and Auction Reserve Price Determination**

Auction Exchange Rate (USD to CAD)	1.1000
California Annual Auction Reserve Price (USD)	<b>\$13.57</b>
California Annual Auction Reserve Price (CAD Value)	<b>\$14.93</b>
Québec Annual Auction Reserve Price (CAD)	\$13.56
Québec Annual Auction Reserve Price (USD Value)	\$12.33

The Auction Reserve Price presented in USD and CAD in Table 1 is NOT the Auction Reserve Price in effect for any auctions scheduled in 2017. The exchange rate of 1.1000 (USD to CAD) is for example purposes only, and not representative of the actual anticipated exchange rate for any auction. The Auction Reserve Price in effect for each Joint Auction will be determined and

displayed in the Auction Platform when the Auction Exchange Rate is displayed, the business day prior to the auction.

## **C. Auction Application Requirements**

The sections below outline the steps required before an entity can apply to participate in an auction. The steps required to apply to participate in an auction are discussed in a later section of this document.

### **1. Entity CITSS Account**

An entity must have an approved account in CITSS before applying to participate in an auction. Additionally, individuals must be approved as either the PAR or an AAR on that account in order to submit an application and/or bid on behalf of the participant.

Some entity account information submitted to the jurisdiction in the process of obtaining a CITSS account, or updated after approval of a CITSS account, will be included as auction application information if the entity applies to participate in an auction, including:

- a) Corporate identity, ownership, and capital structure of the applicant;
- b) The existence of any direct or indirect corporate associations; and
- c) An allocation of the purchase limit and holding limit among associated entities, if applicable.

Most information related to corporate identity would be submitted in CITSS while information related to corporate ownership, capital structure of the applicant, the existence of any direct or indirect corporate associations, and any allocation of the purchase limit and holding limit among associated entities, would be submitted on a hard copy form outside of CITSS.

It may be necessary for an entity to change entity account information that will be included as auction application information if the entity applies to participate in an auction. For CA entities, all changes in auction application information listed in Section 95912(d)(4) of the California Regulation, including those that require submittal of hard copy documentation such as disclosure of corporate associations and the Auction Attestation, must be submitted prior to the close of the auction application period. For QC entities, the Québec Regulation requires that all changes to information required under section 7 concerning the identity, ownership, administration and structure of the issuer's or participant's establishment or enterprise and all hard copy documentation accompanying

these changes must be submitted a minimum of forty (40) days prior to the date the auction is held.

CITSS can be accessed at <https://www.wci-citss.org/ca>, <https://www.wci-citss.org/qc>, or from the jurisdictions' and WCI, Inc.'s webpages.

## **2. CITSS Representative and Entity Account Information**

To update account representative or entity account information in CITSS, the following steps should be followed:

- a) Enter changes as needed in CITSS.
- b) Complete and submit any forms or hard copy documentation required to make changes in auction application information.
- c) Approval by the jurisdiction Registrar should occur within ten (10) business days of receiving all required documentation.

## **3. Participation by Related Entities or Entities with Direct Corporate Associations**

For purposes of the Auction Notice and this document, the term “direct corporate associates” refers to all entities with a direct corporate association as defined in the California Regulation pursuant to section 95833(a) and related entities as defined in Article 9 of the Québec Regulation.

Entities registered in CITSS must disclose all direct and indirect corporate associations, as defined in section 95833(a) and as specified in section 95830 of the California Regulation or Article 9 of the Québec Regulation, including those direct and indirect corporate associations registered in a linked jurisdiction. As the California Cap-and-Trade Program and Québec Cap-and-Trade System officially linked on January 1, 2014, entities must disclose corporate associations with entities registered under the California Cap-and-Trade Program and entities registered under the Québec Cap-and-Trade System.

Direct corporate associates are entities that meet at least one of the indicia of control in section 95833(a)(2), (a)(3), or (a)(5) of the California Regulation or Article 9 of the Québec Regulation, meaning generally those with ownership or voting power exceeding 50 percent of the other entity, regardless of whether or not the related entity is registered in the California Cap-and-Trade Program or Québec Cap-and-Trade System. Indirect corporate associates would include those related entities meeting the indicia of control in section 95833(a)(4) of the California Regulation or Article 9 of the Québec Regulation, meaning generally

those with a percent of ownership or control between 20 and 50 percent, but only applies to those entities which are also registered in either the California Cap-and-Trade Program or the Québec Cap-and-Trade System. Entities that have direct corporate associations with other registered entities, including those registered in a linked jurisdiction, must share purchase and holding limits and declare all such associations with the applicable jurisdiction. Providing incomplete or inaccurate information regarding corporate associations will cause an entity's auction application to be rejected. Guidance on California's regulatory provision on corporate associations is available in the *Corporate Disclosures Guidance* (Updated February 2015) document available from the ARB CITSS webpage at <https://www.arb.ca.gov/citss>.

For CA entities, the California Regulation requires ARB to provide a consolidated set of accounts to entities that have a direct corporate association. Direct corporate associates may choose to register for separate entity accounts in CITSS, with purchase and holding limits shared among members of the corporate association group. Entities that choose not to be in a consolidated account are referred to in the California Regulation as entities who have chosen to "opt-out" of consolidation. Any entity that has an approved CITSS account can apply to participate in an auction. Pursuant to section 95833(f)(6) of the California Regulation, entities with a direct corporate association may change their decision to consolidate accounts or opt-out of consolidation only once each year.

Any change to an entity's auction application information listed in section 95830(c) of the California Regulation and to the entity's business relationship referred to in section 9 of the Québec Regulation must be updated within thirty (30) calendar days from the effective date of the changes, or as otherwise specified in section 95830(f)(1) of the California Regulation for California entities. Pursuant to section 95833(e) and 95830(f)(1) of the California Regulation, any changes to corporate associations related to entities registered in the California Cap-and-Trade Program must be updated within thirty (30) calendar days of the change or by the auction application deadline, whichever is sooner. Pursuant to Article 33 of the Québec Regulation, any changes to business relationships related to entities registered in the Québec Cap-and-Trade System must be submitted within thirty (30) calendar days of the change or a minimum of forty (40) days prior to the date the auction is held, whichever is sooner. If a change to the corporate association affects auction participation, that change, and any additional actions required by that change, must be approved prior to the end of an auction application period or the entity(ies) involved may not be able to

participate in the auction. Additionally, if any change of ownership becomes effective after an application period ends and prior to the scheduled date for distribution of allowances resulting from an auction, the entities impacted by the change of ownership may not be able to participate in the auction.

More information on auction participation by entities with corporate associations can be found on the jurisdictions' webpages.

#### **4. Auction Application Information Material Change**

An entity may need to change auction application information that is either submitted in CITSS or submitted in hard copy form outside of CITSS. If a change is determined to be a material change and is completed since the entity last was approved to participate in an auction, the entity must recomplete the auction application process. If a material change occurs to an entity's auction application information after an auction application period closes, it may limit the entity's ability to participate in the auction or for a PAR or AAR to represent an entity in an auction.

A material change to the information contained in an approved application is a change in any application information that could influence a decision by a jurisdiction to approve, or not approve, auction participation. This would include, but not be limited to, a change in ownership, corporate identity (e.g., entity legal name, type of organization, date and place of incorporation, tax identification number), direct or indirect corporate associations with entities registered in CITSS, allocation of the purchase limit or holding limit among associated entities, and any required attestation response. Other changes may be a material change depending on the specific nature of the change (e.g., change in names of officers and directors, names and contact information for employees with market position knowledge, names and contact information for cap-and-trade consultants).

### **III. AUCTION APPLICATION**

#### **A. Submittal of Auction Application**

This section outlines requirements to apply to participate in an auction. For each auction, one CITSS entity account representative (PAR or an AAR) completes the entity's auction application or confirms the entity's intent to bid in the auction in CITSS. For each auction, the auction application period starts at least sixty

(60) days prior to the auction with the release of the auction notice and ends thirty (30) days prior to the auction.

Once a participant's auction application has been approved, the participant does not need to complete applications for subsequent auctions or reserve sales (events) unless there is a material change to the information contained in the approved application. However, the entity must submit a notice of intent to bid at least thirty (30) days prior to each auction. Entity information for an approved event application is maintained in CITSS to allow submittal of notices of intent to bid for future events. The processes to submit an event application and to confirm intent to bid are generally the same. The only difference is that entry of maintained data is not required for submittal of a notice of intent to bid. For simplicity, this document will refer to both auction application and notice of intent to bid as auction application.

The due date for submitting an auction application in CITSS is the date and time the auction application period closes in CITSS as set out in the Auction Schedule provided in the Auction Notice available from the jurisdictions' webpages.

Auction participants must submit an application through CITSS and the Auction Attestation Disclosure described below at least thirty (30) days prior to the first auction in which they wish to participate.

In CITSS, entity representatives can create auction applications, as well as view existing auction applications, using the buttons in the Initiate Event Participation section of the Auction tab. For more details on how to access the Auction tab or create auction applications, please refer to the CITSS Auction and Reserve Sale Event Applications reference material on jurisdiction CITSS webpages. The auction application process includes the following steps, which are described in more detail in the sections that follow:

1. Confirm the auction in which the participant intends to bid.
2. Provide information on the form of the bid guarantee to be submitted as well as return instructions for any unused portion of the bid guarantee.
3. Complete the Attestation response in CITSS and submit the auction application.

#### **1. *Confirm the Event in Which the Participant Intends to Bid***

Either the PAR or an AAR must access CITSS and identify the auction in which the participant intends to bid. To do so, the PAR or AAR must access the Auction

tab on the Account Detail page for an entity. From the Auction tab, the PAR or AAR will be able to initiate an event participation once an application period is opened for an event.

**2. *Provide Information on the Form, Currency, and Return Instructions of the Bid Guarantee to be Submitted***

The entity representative must select the form of bid guarantee that the entity intends to submit for the auction. Auction applicants can identify one or a combination of the allowable forms of bid guarantee in CITSS on the Create Event Application/Confirm Existing Data for Event Page. The forms of bid guarantees which may be submitted are specific to the jurisdiction in which the entity is registered.

For CA entities, a bid guarantee submitted for an auction must be in one or a combination of the following forms:

- Cash in the form of wire transfer;
- An irrevocable letter of credit (LOC) from a financial institution with a United States (U.S.) banking license;
- A bond issued by a financial institution with a U.S. banking license;
- A Surety Bond issued by an institution named in the current list of “Surety Companies Acceptable in Federal Bonds” as published in the Federal Register by the Audit Staff Bureau of Accounts, U.S. Treasury Department.

For QC entities, a bid guarantee submitted for an auction must be in one or a combination of the following forms:

- Cash in the form of a wire transfer;
- An irrevocable letter of credit (LOC) issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives;
- A letter of guarantee (LOG) issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives.

Based on the form of bid guarantee selected, the representative will also complete instructions for the return of any unused bid guarantee amounts or physical bid guarantee instruments after the auction is completed.

When a cash bid guarantee is provided, unused cash on deposit will be returned through a Federal Reserve Wire Network (Fedwire) transfer. The return instructions typically require the following information:

- Beneficiary Bank Name
- Beneficiary Bank Routing Number
  - An American Bankers Association (ABA) number or Canadian Routing Number must be provided in the return instructions.
  - A SWIFT/Bank Identifier Code (BIC) should be provided for international transfer of funds. If the Beneficiary Bank and the Financial Services Administrator returning funds are in the same country, a SWIFT/BIC is not required.
  - If a SWIFT/BIC is provided, a Bank Routing Number does not need to be provided.
- Beneficiary Account Name
- Beneficiary Account Number

If return of funds to the participant requires an Intermediary Bank, such as if a participant is using a non-U.S. financial institution, additional information may be required and can be submitted in the Intermediary Bank Information section of the Bid Guarantee Return Instructions - Cash Bid Guarantee pane in CITSS.

It is recommended that the participant's account representative contact the Financial Services Administrator to ensure all necessary information for return instructions has been received.

Physical bid guarantee instruments will be returned by FedEx or DHL delivery, and therefore must be returned to a physical address. The return instructions require the following information:

- Name of a contact individual
- Return Address (must be a physical address; no PO Box<sup>2</sup>)
- Return City
- Return Postal Code
- Return State/Province
- Return Country
- Return Contact Phone Number

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<sup>2</sup> The Financial Services Administrator cannot return physical bid guarantee instruments to a PO Box address as a signature is required to ensure security of the instruments and to allow for confirmation of receipt.

The representative must also select the currency in which the bid guarantee will be submitted, either USD or CAD. Entities registered in the California Cap-and-Trade Program can only select USD. Once a QC entity submits an auction application with a currency for the bid guarantee selected (USD or CAD), that currency must be used for participation throughout the auction, including submitting the bid guarantee, submitting bids during the joint auction, and completing financial settlement. **No changes in the currency selected when the auction application is submitted will be allowed.**

All bid guarantees (cash, letters of credit, letters of guarantee, or bonds) will be submitted directly to the Financial Services Administrator, as described in the “Submit a Bid Guarantee” section of this document.

### **3. Complete the Attestation Response in CITSS and Submit the Auction Application**

The Create Event Application/Confirm Existing Data for Event Page in CITSS includes a required Attestation response. Entity Attestation requirements are specific to the jurisdiction in which the entity is registered. Attestation responses submitted in CITSS are also jurisdiction specific.

In addition to the attestation response in CITSS, CA entities must ensure that a proper Auction Attestation Disclosure has been submitted for the application to be considered complete. The California Auction Attestation Disclosure is required to be submitted directly to ARB outside of CITSS. A CA entity must submit an Auction Attestation Disclosure for the first auction an entity participates in after November 2014. After the initial submittal of the Auction Attestation Disclosure, if there are no updates to disclosures, the entity does not need to submit a new disclosure for each subsequent auction. If the entity must provide updates to previously disclosed information, the entity must submit the updated disclosures by no later than the close of the auction application period. A form that can be used to submit the disclosures and guidance about the disclosure are available on the ARB Auction Information webpage.

The PAR or an AAR of each CA entity must complete the required Attestation response in CITSS to certify if the entity has provided to ARB the Auction Attestation Disclosure required by section 95912(d)(4)(E) disclosing the existence and status of any ongoing investigation or an investigation that has occurred within the last ten years with respect to any alleged violation of any rule, regulation, or law associated with any commodity, securities, environmental, or financial market for the entity participating in the auction, and all other entities

with whom the entity has a direct corporate association, or indirect corporate association pursuant to section 95833 that participate in a carbon, fuel, or electricity market. The disclosure must be updated to reflect any change in the status of an investigation that has occurred since the most recent auction application Attestation was submitted.

A “Yes” answer to the Attestation in CITSS indicates that you understand the Regulatory requirements and that you will submit or update the required attestation to ARB by the deadline to apply for the auction. A disclosure can be submitted using the *Auction Application Attestation Disclosure Form* available from the ARB Auction Information webpage.

A “No” answer to the Attestation in CITSS indicates that you understand the Regulatory requirements and that you have no updates to the disclosures since the most recent auction application attestation was submitted.

**If a CA auction participant has previously submitted a disclosure form, and has no further updates to its most recently submitted form, the auction participant may select “No” in CITSS to satisfy the attestation requirement.**

If a representative needs to provide additional information in response to the Attestation, please contact the jurisdiction contacts provided in the Auction Notice.

After the Attestation response has been completed, the representative submits the auction application by selecting the “Confirm” button. By submitting the auction application, the representative agrees to have the entity name, entity contact information, account numbers, representative names, representative phone numbers, bid guarantee information, and representative email addresses transferred to the Auction and Reserve Sale Administrator and Financial Services Administrator for the purpose of facilitating participation in the selected event.

## **B. Receipt of Auction Application**

The participant’s PAR and all AARs will receive an email from CITSS with the subject line “CITSS Event Application Update” indicating that there is a change to the application status. The email will only indicate a change in the application status. For information on any change in application status, including acceptance of an application, the PAR or an AAR can log in to CITSS to confirm the current auction application status.

## **C. Editing an Auction Application**

Auction applications can be edited before the application period has closed. For more details on how to edit an event application, see CITSS Auction and Reserve Sale Event Applications reference material on jurisdiction CITSS webpages.

## **D. Editing Bid Guarantee Return Instructions**

Bid guarantee return instructions can be edited before or after the application period has closed. For more information on how to edit the bid guarantee return instructions, see the CITSS Auction and Reserve Sale Event Applications reference material on jurisdiction CITSS webpages.

# **IV. SUBMIT A BID GUARANTEE**

## **A. Bid Guarantee Requirements and Use**

After an auction application has been submitted, each participant that wishes to participate in an auction must submit a bid guarantee directly to the Financial Services Administrator. The Financial Services Administrator will receive and maintain all bid guarantees submitted as financial security. All cash bid guarantees submitted will be held in a non-interest bearing trust account with the Financial Services Administrator.

CA entities will submit a bid guarantee in USD. QC entities will select the currency they will use throughout the auction (either USD or CAD) when completing the auction application in CITSS.

**Final bid guarantees must be received by the Financial Services Administrator in the currency selected during the auction application process by no later than the date listed in the Auction Schedule provided in the Auction Notice.**

The amount of the bid guarantee provided to the Financial Services Administrator will be used to set participant bidding limitations in the auction. The amount of the bid guarantee must be greater than or equal to the participant's maximum bid value (i.e. maximum value of the bids submitted). For QC entities that are participating in the auction in CAD, the value of the bid guarantee and the maximum value of bids submitted during the auction will be evaluated in the USD

equivalent of the CAD bid price submitted based on the Auction Exchange Rate. To determine the bid guarantee amount to provide, examples are provided in the 2017 Auction Examples document available from the jurisdictions' webpages.

## **B. Bid Guarantee Submittal Process**

The process for submitting a bid guarantee includes the following steps, which are described in more detail in the sections that follow:

1. Receive notice that a Financial Services Account has been established or verified.
2. Download Financial Services Delivery Instructions.
3. Submit a bid guarantee to the Financial Services Administrator.

### **1. *Receive Notice that a Financial Services Account has Been Established or Verified***

After the auction application is submitted, the Financial Services Administrator will complete the process to establish (first time participant) or verify (previous participant) the participant's Financial Services Account in which the participant's bid guarantee will be recorded.

Participants that have not previously established a Financial Services Account and those with changes in corporate disclosures may need to provide additional information to the Financial Services Administrator to support the account being established or verified.

An individual registered as a General Market Participant - Individual in the California Cap-and-Trade Program or Participant in the Québec Cap-and-Trade System that is applying to participate in an auction will be required to submit additional documentation to the Financial Services Administrator. The Financial Services Administrator will contact the account holder to obtain any required information.

The Financial Services Administrator acts as an agent for ARB and MDDELCC for the purpose of financial administration of auctions and reserve sales. The Financial Services Administrator must establish or verify a Financial Services Account for each participant to manage bid guarantees and payment for allowances awarded.

A participant's PAR and all AARs will receive an email from CITSS with the subject line "CITSS Event Financial Services Information Update" when the

participant's financial services account number is established or verified and becomes available in CITSS.

## **2. *Download Financial Services Delivery Instructions***

Once a participant's Financial Services Account Number been verified or established, the PAR and AARs may download the participant's Financial Services Delivery Instructions from CITSS. The Financial Services Delivery Instructions will include the information needed to submit the bid guarantee, including the Financial Services Account Number, which must be referenced when submitting a bid guarantee to the Financial Services Administrator, as well as wiring instructions for submitting cash by wire transfer and mailing instructions for submitting physical bid guarantee instruments.

To access a participant's Financial Services Delivery Instructions, a PAR or AAR will log in to CITSS. Select the "Generate Financial Services Instructions" button on the Event Application Detail page to access the Auction and Reserve Sale Financial Services Delivery Instructions page.

## **3. *Submit a Bid Guarantee to the Financial Services Administrator***

The forms of bid guarantees which may be submitted are specific to the jurisdiction in which the participant is registered, as previously described.

CA entities will submit a bid guarantee in USD. QC entities will select the currency they will use throughout the auction (either USD or CAD) when completing the auction application in CITSS. Once a currency is selected, a bid guarantee must be submitted to the Financial Services Administrator in the selected currency.

### **3.1 Submitting a Cash Bid Guarantee (Wire Transfer)**

Cash wire transfers must be received by the Financial Services Administrator by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice. Cash wire transfer instructions are provided in the Financial Services Delivery Instructions and outlined below. Be advised that Automated Clearing House (ACH) transfers can take at least 24 hours to complete. If the cash wire transfer (Fedwire or ACH) is not received by the deadline for receipt of a bid guarantee it will not be accepted, regardless of the time the transfer was initiated.

Cash wire transfer instructions are specific to the jurisdiction in which the participant is registered and for QC entities, the currency in which the participant is participating in the auction. Cash wire transfer instructions are provided in the Financial Services Delivery Instructions downloaded from CITSS.

**In order for the Financial Services Administrator to receive the funds by the deadline for receipt of bid guarantees, it is very important that the cash wire transfer details are set up exactly as provided in the participant’s Financial Services Delivery Instructions.**

### 3.2 Instructions for Wiring USD

For entities that are participating in USD and using a U.S. financial institution, Fedwire transfer details must include the following information:

**Table 2: Instructions for bid guarantee USD cash wire transfers**

Bank Name:	<b>Deutsche Bank Trust Company Americas<sup>3</sup></b>
Routing Number:	Provided in the Financial Services Delivery Instructions, available in CITSS
SWIFT/Bank Identifier Code (for financial institutions outside US):	Provided in the Financial Services Delivery Instructions, available in CITSS
City:	<b>New York</b>
State/Province:	<b>New York</b>
DDA Number:	Provided in the Financial Services Delivery Instructions, available in CITSS
Beneficiary:	<b>Trust And Agency Services</b>
Payment Details:	<b>WCI Auction<sup>4</sup> and Financial Services Account Name</b> , as provided in the Financial Services Delivery Instructions, available in CITSS
Port:	<b>Participant’s Financial Services Account Number</b> , as provided in the Financial Services Delivery Instructions, available in CITSS

<sup>3</sup> Receiving Bank Name must be entered exactly as shown for a USD cash wire transfer.

<sup>4</sup> WCI Auction is how the Financial Services Administrator refers to the joint California-Québec auction. WCI refers to the Western Climate Initiative.

If using a Fedwire transfer to wire USD cash to the Financial Services Administrator, the Fedwire Transfer Payment Details section should be set up with two entries: the reference to WCI Auction and the participant's Financial Services Account Name. The participant's Financial Services Account Number must be entered in the Port section. The Financial Services Account Number and Account Name are provided in the participant's Financial Services Delivery Instructions available from CITSS.

If using an ACH transfer to wire USD cash, you may not be able to include all payment details. In this case, include the WCI Auction reference to assist in the proper identification and delivery of the transfer. Due to the limited identifying information provided in an ACH transfer, it is recommended that a participant account representative notify the Financial Services Administrator in advance of the ACH transfer to ensure proper receipt of the funds.

If an entity participating in USD is using a non-U.S. financial institution, additional information may be required for cash wire transfer details, and can be submitted in the Comments field of the cash wire transfer request. Contact the Financial Services Administrator if you have questions on how to provide complete wire transfer instructions.

### 3.3 Instructions for Wiring CAD

For QC entities participating in CAD providing a cash wire transfer, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) wire transfer details must include the following information:

**Table 3: Instructions for bid guarantee CAD cash wire transfers**

Intermediary Bank Name:	<b>Royal Bank of Canada</b>
Intermediary Bank SWIFT / Bank Identifier Code (BIC):	<b>ROYC CA T2</b>
Beneficiary Bank Name:	<b>Deutsche Bank AG Frankfurt</b>
Beneficiary Bank IBAN:	<b>DE28500700100959163708</b>
Beneficiary Bank SWIFT / Bank Identifier Code (BIC):	<b>DEUTDEFF</b>
Beneficiary Bank Account Name:	<b>DBTCA for DBNTC as FSA for WCI, Inc.</b>
Payment Details (including instructions on fees):	<b>WCI Auction FBO Quebec</b>
Port:	<b>Participant's Financial Services Account Number</b> , as provided in the Financial Services Delivery Instructions, available in CITSS.

**CAD amounts wired by auction participants are sent to Deutsche Bank AG in Germany. Therefore it is very important that the New York postal address (used for mailing physical bid guarantees, explained further below) not be used when completing the cash wire transfer form. The address is not necessary for the Financial Services Administrator to process the transfer, but if a postal address for the Beneficiary Bank must be included by the issuing institution, use the address below:**

**Table 4: Postal address to be used for submitting cash wire transfers**

Bank name:	<b>DEUTSCHE BANK AG</b>
Address:	<b>TAUNUSANLAGE 12</b>
City:	<b>FRANKFURT AM MAIN</b>
Postal code / Location	<b>60262 FRANKFURT AM MAIN</b>
Country:	<b>GERMANY</b>
Bank indicator:	<b>BANK</b>
SWIFT BIC:	<b>DEUTDEFF</b>

A cash wire transfer bid guarantee may require an international funds transfer. There are fees associated with an international funds transfer. All the fees associated with a SWIFT wire transfer must be paid by the participant in advance or the fees will be deducted from the amount of the bid guarantee wire transfer.

- The SWIFT instruction <<OUR>> indicates that the party making the transfer has paid the fees in advance.

- Participants are advised to communicate with their financial institutions to verify how to proceed with bank (wire) transfers.

Cash wire transfers that are returned by the Financial Services Administrator to a participant due to an error or incomplete wire transfer details may result in a returned wire fee, which would be reflected in the wire amount returned to the participant. A returned wire fee is not an auction fee and is not received by either California or Québec. A returned wire fee is a common banking transaction fee not related to the California Cap-and-Trade Program or the Québec Cap-and-Trade System, or the auction process.

#### 3.4 Submitting a Physical Bid Guarantee Instrument (LOC, LOG, or Bond)

Physical bid guarantee instruments must be received by the Financial Services Administrator in final form by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice. The instructions for submitting physical bid guarantees are provided in the Financial Services Delivery Instructions and outlined below.

**Complete and proper addressing is critical to ensure receipt of all physical bid guarantee instruments by the deadline date and time. When sending physical bid guarantee instruments, include the following full address for the Financial Services Administrator:**

Auction and Reserve Sale Financial Services Administrator  
c/o Deutsche Bank Trust Company Americas  
60 Wall Street, 16th Floor  
Mailstop: NYC60-1630  
New York, NY 10005-2836

**Please include your Entity Legal Name, your CITSS Entity ID and Financial Services Account Number as they appear in the Financial Services Delivery Instructions (downloadable from CITSS) when mailing the bid guarantee form(s) to ensure the bid guarantee is properly associated to the participant's account.**

**Deutsche Bank Trust Company Americas** is the institution name required for receipt of USD funds via cash wire transfer and delivery of physical bid guarantees, while **Deutsche Bank National Trust Company** is used as the Beneficiary Bank Name provided for a physical bid guarantee. Entities submitting physical bid guarantees should be careful that both the Beneficiary

Bank Name and the institution name included in the mailing address are correct, since the names are not the same. Refer to the Financial Services Delivery Instructions provided in the Auction Platform for complete information.

When a participant submits a physical bid guarantee instrument, the Financial Services Administrator will evaluate the instrument and identify any amendments that are necessary to meet the requirements. If a physical bid guarantee instrument must be amended, the amendment must be completed and received in physical form by the Financial Services Administrator by the deadline for receipt of bid guarantees. Amendments to physical bid guarantee instruments will not be accepted after the deadline date and time as listed in the Auction Schedule provided in the Auction Notice.

ARB and MDDELCC encourage entities to do the following:

- Submit a sample LOC, LOG, or bond to the Financial Services Administrator for review;
- Submit final documents early enough to provide time for amendment, if needed;
- Submit final documents via overnight delivery and retain a tracking number;
- Provide contact information for the issuing bank in the event that a draw on the physical bid guarantee is required to complete financial settlement for allowances awarded; and,
- Confirm receipt of bid guarantees with the Financial Services Administrator.

If a bid guarantee is not received by the Financial Services Administrator in final form by the deadline date and time as listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

Physical bid guarantee instruments submitted by QC entities may be submitted in French or English. If the bid guarantee instrument is submitted in French, an English translation is requested to support timely review of the document. A participant submitting a bid guarantee instrument in French should work with the institution issuing the instrument to provide a translation. If the participant cannot obtain a translation from the institution issuing the instrument, please contact a representative of the Québec Cap-and-Trade System, ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques.

**Please include your Entity Legal Name, your CITSS Entity ID and Financial Services Account Number on your Letter of Credit or Letter of Guarantee to ensure the bid guarantee is properly associated to the participant's account.**

### 3.5 Submitting a Letter of Credit

CA entities and QC entities may submit a LOC of credit as a bid guarantee. For CA entities, a LOC submitted as a bid guarantee must be issued by a financial institution with a U.S. banking license. For QC entities, a LOC submitted as a bid guarantee must be issued by a bank or financial services cooperative with a Canadian banking license.

All bid guarantees in the form of a LOC require the following non-negotiable terms:

- The LOC must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the participant's application.
- **Deutsche Bank National Trust Company** must be listed as the beneficiary.<sup>5</sup>
- The LOC must be irrevocable.
- The amount of the LOC must be included.
- The expiration or maturity date must be at least twenty-six (26) days after the scheduled auction.
- There must be instructions included indicating where to submit the LOC for payment.
- The LOC must allow for presentment by facsimile (Fax) (delivery in person or by courier cannot be required).
- There must be a payment certificate/form of draw included as an exhibit or annex to the LOC.
- The LOC must be payable within three (3) business days.
- There must be a draw cut off time of no earlier than 9:00 AM Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.

If any of these terms are not met by the date and time listed in the Auction Schedule provided in the Auction Notice for receipt of all bid guarantees by the Financial Service Administrator, the submitted LOC will be rejected. **If the submitted LOC requires revisions, all revisions must be completed and**

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<sup>5</sup> The Beneficiary Bank Name must be entered exactly as shown, which differs slightly from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in the Auction Platform for complete information.

**received in physical form by the deadline for receipt of bid guarantees or the LOC will not be accepted.**

### 3.6 Submitting a Bank Bond or Surety bond (CA entities only)

Only CA entities may submit a bank bond or a Surety Bond as a bid guarantee.

Entities may submit a bank bond or a Surety Bond, referred to collectively in this document as bond, as a bid guarantee. A bank bond must be issued by a financial institution with a U.S. banking license. A Surety Bond must be issued by an institution named in the current list of “Surety Companies Acceptable in Federal Bonds” as published in the Federal Register by the Audit Staff Bureau of Accounts, U.S. Treasury Department.

All bid guarantees in the form of a bond require the following non-negotiable terms:

- The bond must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the participant’s application.
- **Deutsche Bank National Trust Company** must be listed as the beneficiary/obligee.<sup>6</sup>
- The party named as “Principal” in the bond must be identical to that named in the participant’s application.
- The expiration date must be at least twenty-six (26) days after the scheduled auction.
- The amount of the bond must be included.
- There must be instructions included indicating where to submit the bond for payment.
- There must be a payment certificate/form of draw included as an exhibit or annex to the bond.
- The bond must allow for presentment by Fax (delivery in person or by courier cannot be required).
- The bond must be payable within three (3) business days.
- There must be a draw cut off time of no earlier than 9:00 AM Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.

If any of these terms are not met by the date and time listed in the Auction Schedule provided in the Auction Notice for all bid guarantees due to the

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<sup>6</sup> The Beneficiary Bank Name must be entered exactly as shown, which differs slightly from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in the Auction Platform for complete information.

Financial Service Administrator, the submitted bond will be rejected. If the submitted bond requires revisions, all revisions must be completed and received in physical form by the deadline for receipt of bid guarantees or the bond will not be accepted.

### 3.7 Submitting a Letter of Guarantee (QC entities only)

Only QC entities may submit a Letter of Guarantee (LOG) as a bid guarantee.

All bid guarantees in the form of a LOG require the following non-negotiable terms:

- The LOG must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the participant's application.
- **Deutsche Bank National Trust Company** must be listed as the beneficiary/obligee.<sup>7</sup>
- The party named as "Principal" in the LOG must be identical to that named in the participant's application.
- The expiration date must be at least twenty-six (26) days after the scheduled auction.
- The amount of the LOG must be included.
- There must be instructions included indicating where to submit the LOG for payment.
- There must be a payment certificate/form of draw included as an exhibit or annex to the LOG.
- The LOG must allow for presentment by Fax (delivery in person or by courier cannot be required).
- The LOG must be payable within three (3) business days.
- There must be a draw cut off time of no earlier than 9:00 am Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.

If any of these terms are not met by the date and time listed in the Auction Schedule provided in the Auction Notice for receipt of bid guarantees by the Financial Service Administrator, the submitted bond will be rejected. If the submitted LOG requires revisions, all revisions must be completed and received in physical form by the deadline for receipt of bid guarantees or the LOG will not be accepted.

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<sup>7</sup> The Beneficiary Bank Name must be entered exactly as shown, which differs slightly from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in the Auction Platform for complete information.

### **C. Receipt of Bid Guarantee**

A participant's PAR and all AARs will receive an email from CITSS with the subject line "CITSS Event Financial Services Information Update" when there is an update to the participant's financial services account number or bid guarantee information. For information on any updates, including if the Financial Services Administrator has accepted a bid guarantee, the PAR or an AAR can log in to CITSS to confirm the current auction application status. At this point, the application status for the participant will change from "Applicant" to "Qualified Applicant." Additionally, the Bidding Limitation Data section of the Event Application Detail page in CITSS will display the Total Bid Guarantee amount recorded by the Financial Services Administrator. If a bid guarantee that meets the requirements is not received by the deadline date and time listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

### **D. Bid Guarantee Revision Process**

If a bid guarantee in the form of a LOC, LOG, or Bond requires revision, all revisions must be completed and received in physical form by the deadline date for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice or the bid guarantee will not be accepted.

If a bid guarantee in the form of a LOC, LOG, or Bond provided to the Financial Services Administrator needs to be revised:

- a) The participant will be notified by the Financial Services Administrator of the need for revision.
- b) The participant would contact the financial institution that issued the bid guarantee instrument and request an amendment.
- c) The revised bid guarantee must be received in physical form by the deadline for receipt of bid guarantees or it will be rejected. Emailed, scanned, and PDF versions of a bid guarantee or bid guarantee amendment will not be accepted as a bid guarantee.

**The Financial Services Administrator (Deutsche Bank) may be contacted as follows:**

**Email: [db.wcisupport@db.com](mailto:db.wcisupport@db.com)**

**Phone: (714) 247-6054 or (212) 250-2885**

### **Bid Guarantee Submittal Summary**

- A participant submitting a bid guarantee by cash wire transfer must provide all required wire transfer information listed in this document and in the Financial Services Delivery Instructions to ensure the bid guarantee is accepted and associated with the proper account.
- Cash wire transfers must be received by the Financial Services Administrator by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice.
- A participant is responsible to ensure proper addressing when mailing a physical bid guarantee instrument.
- Participant is responsible to ensure a physical bid guarantee instrument (LOC, LOG or Bond) is received in final form by the Financial Services Administrator, including all required non-negotiable terms, by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice.
- A bid guarantee or bid guarantee amendment received after the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule in the Auction Notice will not be accepted.
- Emailed, scanned, and PDF versions of a bid guarantee or a bid guarantee amendment will not be accepted as a bid guarantee.

If a bid guarantee is not received by the deadline date for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

## **V. RECEIVE NOTICE OF THE PARTICIPANT'S APPROVAL TO PARTICIPATE**

Jurisdiction staff will review each Qualified Applicant's information, CITSS account status, and bid guarantee, and make a determination to approve or deny each entity's participation in the auction. Once ARB and MDDELCC approve or reject an entity for auction participation, the PAR and all AARs for the participant

will receive an email confirming approval or denial to participate in the auction. In CITSS, the status of the auction application for the participant will either change from “Qualified Applicant” to “Qualified Bidder” if the participant is approved, or it will change from “Qualified Applicant” to “Rejected” if the participant is not approved. This is anticipated to occur within two (2) business days of the auction date. Each participant that has completed an auction application, submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the auction is referred to as a “Qualified Bidder.”

The reasons for possible denial of an entity’s participation in an auction include, but are not limited to, the following:

- The entity does not have an active CITSS account.
- An entity’s general holding account has been revoked or is currently suspended.
- The entity is not represented by an active PAR or AAR.
- The entity has not provided complete information on corporate associations.
- The entity has not submitted a bid guarantee to the Financial Services Administrator by the deadline date and time as listed in the Auction Schedule provided in the Auction Notice.
- A CA entity did not submit an Auction Attestation Disclosure by the end of the application period as required by section 95912(d)(4)(E) of the California Regulation.

## **VI. PARTICIPATE IN THE AUCTION**

All previous steps related to auction application are conducted in CITSS. The following steps, directly related to bidding in an auction and retrieving the auction results, are conducted in the Auction Platform. The Auction Platform can be accessed at <https://www.wci-auction.org/ca> or <https://www.wci-auction.org/qc> or from the jurisdictions’ and WCI, Inc.’s webpages.

Bids for the Current Auction and Advance Auction will be accepted simultaneously at the date and time identified in the Auction Notice. The auctions will be conducted through the electronic, internet-based Auction Platform using a single round, sealed bid auction format. Bid quantities must be submitted in multiples of 1,000 allowances. Bids for both the Current Auction and Advance Auction will be accepted during the same scheduled 3-hour bidding window.

An Auction Exchange Rate is established prior to each auction for determination of the Auction Reserve Price. The Auction Exchange Rate in effect for the auction will be the United States dollar to Canadian dollar exchange rate (USD to CAD) as published by the Bank of Canada for the day before the auction.

In the Auction Platform, the Auction Exchange Rate is displayed as USD to CAD FX Rate.

## **A. Access to the Auction Platform**

### **1. PAR/AAR Auction Platform Accounts**

Any PAR or AAR authorized by a participant to act on its behalf in an auction must have an active Auction Platform account, which is separate and distinct from a CITSS account. Only those representatives with an active Auction Platform account will be able to access the Auction Platform to submit bids on behalf of the participant during an open bidding window, or download reports specific to the auction.

### **2. Auction Platform Account Activation**

If an individual PAR or AAR has previously activated his or her Auction Platform account, that individual will be able to access the Auction Platform using their previously established credentials. User accounts and participant CITSS account representative status information in CITSS and the Auction Platform are automatically reconciled on a daily basis. Active PARs and AARs of entities in CITSS that have been Qualified Bidders to a past auction or that have submitted an application to an upcoming auction or reserve sale are eligible to maintain or establish Auction Platform accounts. Outlined below are details regarding reconciliation of user accounts and participant CITSS account representative status information in CITSS and the Auction Platform:

- CITSS account information, including participant and account representative information is transferred on a daily basis from CITSS to the Auction Administrator.
- The information transmitted contains information specific only to entities that have been a Qualified Bidder to a past auction or that have submitted an application to an upcoming auction or reserve sale.
- Users without an Auction Platform account that become an active PAR or AAR of an entity(ies) in CITSS that have been qualified bidders to a past auction or that have submitted an application to an upcoming auction or reserve sale will receive an email inviting the user to establish account

- credentials for an Auction Platform account within 24 hours of being approved as an active PAR or AAR by a jurisdiction Registrar.
- The activation email will be sent to the account representative's current email address listed in CITSS.
  - This current email address in CITSS will be the account representative's username in the Auction Platform.
  - The email provides an activation link to activate an account and establish an Auction Platform password and security questions.
    - The activation link can only be used once.
    - The activation link will expire twenty-four (24) hours after receipt of the Auction Platform account activation email.

### **3. *Account Representatives Associated with Multiple Participants***

Regardless of the number of participants for which an individual acts as the PAR or an AAR, that individual will only establish one Auction Platform account. All associations with participants for which an individual is an approved PAR or AAR will be reflected in the Auction Platform.

If an individual is an account representative on multiple participant accounts, each time the individual logs in to the Auction Platform he or she will need to select which participant to represent in that session. To submit information for another (different) participant that he or she represents, the individual will need to log out of the Auction Platform and then log back in, selecting the other participant.

## **B. Bidding in the Auction**

Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the scheduled bidding window.

To bid in the auction:

- Auction participants will submit a bid which includes the vintage of the allowances, the number of bid lots (1 lot = 1,000 allowances) and the bid price.
  - To bid for allowances in the Current Auction, the bid vintage is selected as "Current."
  - To bid for allowances in the Advance Auction, the bid vintage is selected as "2020."
- Auction participants will enter bid currency in CAD or USD.

- CA entities will enter bid prices in USD.
- QC entities will enter bid prices in CAD or USD. Currency is preselected to the currency selected during the auction application process when completing a manual bid entry.
- QC entities must select CAD or USD when completing a bid upload spreadsheet.
- If a QC entity attempts to upload a bid upload spreadsheet with bids in the incorrect currency, the spreadsheet will fail to upload to the Auction Platform.
- Auction participants will enter bids prices in CAD or USD in whole cents.
  - When adding a bid by manual bid entry, Auction Page validations will not accept data entry to more than two decimal points, a whole cent.
  - When adding bids by uploading a bid upload spreadsheet, validations in the spreadsheet restrict data entry to two decimal points, a whole cent.
    - In some circumstances, participants have copied and pasted data into bid upload spreadsheets, thereby removing validations and resulting in attempts to upload bids not in whole cents.
    - Participants are responsible to ensure all bid prices submitted are in whole cents. If a participant changes the bid upload spreadsheet, resulting in removal of validations and bid prices uploaded including more than two decimal points, bid prices accepted will be rounded to the nearest whole cent.
    - Participants are encouraged to confirm all bids entered through the bid upload process.
- Auction participants are allowed to submit as many bids as they wish during the bidding window.
  - An uploaded Excel spreadsheet may contain a maximum of 1,000 bids.
  - Multiple spreadsheets may be uploaded.
- Auction participants will be able to edit or withdraw confirmed bids during the bidding window.
- Once the bidding window has been closed, no further bids may be entered and no changes to bids can be made.

## **C. Bidding Limitations**

The California and Québec Regulations include several bidding limitations related to the Auction Reserve Price, bid guarantee submitted, purchase limits, and holding limits. These bidding limits are described below.

The 2017 Auction Examples document provides additional information and examples of how to determine a bid guarantee amount and bid evaluation procedures for purchase limits, holding limits, and bid guarantees.

### **1. Auction Reserve Price Bid Limitation**

The Auction Reserve Price effective during the joint auction will be posted on the Auction Platform in both USD and CAD once the Auction Exchange Rate for the joint auction is posted, as scheduled for the business day prior to the opening of the bidding window. The Auction Reserve Price will be determined as the higher of the California or Québec Annual Reserve Prices after applying the established Auction Exchange Rate. The Auction Reserve Price is the lowest price at which allowances offered in the Current Auction and Advance Auction will be sold. Bids submitted with a bid price below the Auction Reserve Price will not be accepted.

### **2. Bid Guarantee Bid Limitation**

The California Regulation and the Québec Regulation requires bid guarantees to be greater than or equal to the maximum value of the bids submitted. For QC entities that selected to bid in CAD, the bid guarantee and the maximum value of bids submitted are evaluated in USD based on the Auction Exchange Rate.

- The cumulative bid value of a set of bids equals the quantity of bid allowances submitted at or above a bid price times that price.
- The cumulative bid value is calculated at each bid price at which the bidder submits a bid.
- The maximum bid value of a set of bids is the cumulative bid value at the bid price where the cumulative bid value is greatest.

The 2017 Auction Examples document provides an example of how to determine a participant's bid guarantee amount and bid evaluation procedures for bid guarantees. Bid evaluation procedures for bid guarantees occurs after the bidding window has been closed and before the settlement price is determined.

Bidders submit a single bid guarantee for both the Current Auction and Advance Auction. Once the Current Auction settlement price has been determined, the participant's total cost for allowances awarded in the Current Auction (USD

settlement price multiplied by number of allowances awarded) will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to the Advance Auction.

The value of all bids and bid guarantees submitted in CAD will be converted into USD in whole cents in the settlement price determination process to enable comparisons between bids in both currencies on a common basis. For entities bidding in CAD, the bid guarantee amount remaining to be applied to the Advance Auction is determined by subtracting the total USD cost for allowances awarded in the Current Auction (USD settlement price multiplied by number of allowances awarded) from the USD value of the submitted bid guarantee.

### **3. *Purchase Limit Bid Limitation***

The purchase limits that apply to one entity or a group of entities with a direct corporate association for the Current Auction and the Advance Auction are as follows:

For CA entities:

- The purchase limit for covered entities and opt-in covered entities, including electrical distribution utilities, will be 25 percent of the allowances offered for auction; and
- The purchase limit for general market participants is 4 percent of the allowances offered for auction.

For QC entities:

- The purchase limit for emitters is 25 percent of the allowances offered for auction; and
- The purchase limit for Participants is 4 percent of the allowances offered for auction.

Related entities that are part of a direct corporate association that have separate CITSS accounts must allocate shares of the purchase limit amongst themselves. In CITSS, related entities that are part of a direct corporate association that have separate CITSS accounts are assigned to a Corporate Association Group (CAG) to manage the allocation of shares of the purchase limit amongst members of the CAG. This would apply to all QC entities with direct corporate associations, and to CA entities that have chosen to opt-out of account consolidation. Each entity will have a specified percentage share of the direct corporate associate group's purchase limit. The sum of the shares allocated among the entities must sum to

one. Each associated entity's allocated purchase limit share multiplied by the auction purchase limit assigned to the association becomes the purchase limit for that entity. These purchase limits will be used to limit the quantity of GHG allowances that may be purchased by each of the bidders with a direct corporate association.

The purchase limit cap for each auction participant will be transmitted from CITSS to the Auction Administrator the day prior to the auction. These caps will indicate how many allowances an auction participant may acquire before exceeding its purchase limit.

#### **4. *Holding Limit Bid Limitation***

The holding limit is the maximum number of GHG allowances that may be held by an entity or jointly held by a group of entities with a direct corporate association. The holding limit will be calculated separately for each entity for the Current Auction and Advance Auction. The 2017 Auction Examples document provides further detail on how the holding limit applies to an auction.

Related entities that are part of a direct corporate association that have separate CITSS accounts must allocate shares of the holding limit amongst themselves. In CITSS, related entities that are part of a direct corporate association that have separate CITSS accounts are assigned to a CAG to manage the allocation of shares of the holding limit amongst members of the CAG. This would apply to all QC entities with direct corporate associations, and to California entities that have chosen to opt-out of account consolidation. This holding limit allocation results in each entity having a specified percentage share of the group's holding limit. The sum of the percentages allocated among the entities must sum to one.

The holding limit cap for each auction participant will be transmitted from CITSS to the Auction Administrator the day prior to the auction. These caps will indicate how many allowances an auction participant may acquire before exceeding its holding limit. The holding limit cap will be based on CITSS account balances and limited exemption data available in CITSS at approximately 9:00 AM PT / 12:00 PM (Noon) ET the day prior to the auction. The holding limit cap transmitted to the Auction Administrator is used solely for the purpose of administration of the holding limit bid limitation in the auction and will only reflect the account balances in CITSS the day before the auction. Any changes to CITSS account balances after the determination of the holding limit cap due to transfers of allowances will not be reflected in the Auction Platform on the day of the actual auction.

## **D. Auction Administrator Application of the Bidding Limitations**

Submitted bids that contain bid quantities in excess of the purchase limit, holding limit, or have a maximum bid value in excess of the bid guarantee will be rejected, in bundles of 1,000 allowances, until all bid limitations are met. Only that portion of the bid quantity that exceeds one or more limit will be rejected, not the entire bid quantity. “Qualified bids” are the bids that remain after the submitted bids have been evaluated and reduced to meet all limits. Only qualified bids are used in the auction settlement price determination process. Determination of qualified bids occurs after the bidding window has been closed and before the final settlement price determinations are made.

Please refer to the 2017 Auction Examples document for examples on how bidding limitations are applied.

## **E. Settlement Price Determination**

Joint auction bid evaluations and settlement price determinations will be conducted in USD. The value of all bids and bid guarantees submitted in CAD will be converted into USD in whole cents using the established Auction Exchange Rate to conduct the auction in a single currency, including the evaluation of bids on a common basis. All bid assessments, the settlement price, and the cost of all allowances awarded will be determined in USD. For any QC entity participating in CAD, the total cost of allowances is first determined in USD (USD settlement price multiplied by number of allowances awarded) and then converted to a CAD value based on the Auction Exchange Rate so the entity can complete financial settlement in CAD.

The process to determine the settlement price requires that the Auction Administrator rank qualified bids from all bidders from the highest qualified bid price to the lowest qualified bid price using the USD value of the bids. Allowances will be awarded to bidders, beginning with the highest qualified bid price and moving to successively lower qualified bid prices, until the entire supply of allowances is exhausted or all qualified bids have been filled.

The settlement price for the Current Auction will be determined first, followed by the determination of the settlement price for the Advance Auction. Bidders submit a single bid guarantee for both the Current Auction and Advance Auction. Once the Current Auction settlement price has been determined, the participant’s total cost for allowances awarded in the Current Auction (USD settlement price

multiplied by number of allowances awarded) will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to the Advance Auction. The bid guarantee is applied to the Current Auction then Advance Auction in the form of USD currency, regardless of the currency selected by the bidder.

The 2017 Auction Examples document provides examples of how joint auctions are settled.

## **F. Auction Conduct**

### **1. *Non-Disclosure of Bidding Information***

Pursuant to Section 95914(c) of the California Regulation and Article 51 of the Québec Regulation, an entity approved for auction participation shall not release any confidential information related to its auction participation, including:

- Intent to participate, or not participate, at auction, auction approval status, and maintenance of continued auction approval;
- Bidding strategy;
- Bid price or bid quantity information;
- Information on the bid guarantee provided to the Financial Services Administrator.<sup>8</sup>

The California and Québec Regulations require that any entity participating in an auction that has retained the services of a consultant or advisor regarding auction bidding strategy must ensure the following:

- The entity must ensure against the consultant or advisor transferring information to other auction participants or coordinating the bidding strategy among participants;
- The entity will inform the consultant or advisor of the prohibition of sharing information to other auction participants and ensure the consultant or advisor has read and acknowledged the prohibition under penalty of perjury; and
- A consultant or advisor retained by a CA entity must provide ARB with the following information at least fifteen (15) days prior to an auction: names of entities being advised, description of advisory services being performed, and assurance under penalty of perjury that the advisor is not

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<sup>8</sup> Section 95914(c) of the California Regulation prohibits the release of the information listed above by registered entities. The prohibition includes an entity's direct and indirect corporate associations, and their consultants and advisors identified pursuant to section 95923 of the California Regulation.

- transferring to or otherwise sharing information with other auction participants.
- Any entity that has retained the services of a consultant or advisor must disclose to ARB, if it is a CA entity, or to MDDELCC, if it is a QC entity, information to identify the consultant or advisor, including name, contact information, physical work address, and employer, if applicable.

CA entities are required to inform ARB of the retention of a consultant or advisor, including a bidding advisor. The PAR or an AAR of the entity must submit the information required by the California Regulation. This can be accomplished using the Corporate Associations and Structure Form, available on the ARB CITSS webpage. Guidance on California's regulatory provision on corporate associations is available in the Corporate Disclosures Guidance (Updated February 2015) document available from the ARB CITSS webpage at <https://www.arb.ca.gov/citss>.

The California Regulation, section 95914(c)(3), requires Cap-and-Trade consultants or advisors for CA entities to self-disclose information related specifically to auction bidding strategy services. Consultants and advisors providing such services may submit the required information to ARB using the Auction Bid Advisor Form at the address on the form no later than fifteen (15) business days prior to the auction at which the bid advisor's services will be employed.

QC entities are required to inform MDDELCC of the retention of an advisor. The PAR or an AAR of the entity must submit the information to MDDELCC, using the Corporate Associations and Structure Form, available on Québec's Carbon Market website no later than ten (10) business days prior to the auction at which the bid advisor's services will be employed. They also must inform the MDDELCC if a new advisor is hired or if an advisor is terminated and no new advisor is hired.

## **2. Market Monitoring**

WCI, Inc. has contracted with an independent market monitor, Monitoring Analytics, LLC, for the California Cap-and-Trade Program and the Québec Cap-and-Trade System. The purpose of the Market Monitor is to monitor, detect, and report issues relating to the operation of the GHG allowance auctions, California reserve sales, Québec sales by mutual agreement, and secondary markets.

The Market Monitor will monitor the GHG allowance auctions and reserve sales,<sup>9</sup> and provide ongoing monitoring of GHG allowance holdings and market activity. The Market Monitor will monitor the secondary market to identify any indications of anti-competitive behavior, as well as to understand market activity and trades. The Market Monitor's findings will be provided to jurisdiction staff to review and take action, as needed. Jurisdiction staff will also monitor the auctions and reserve sales during the bidding window and review submitted bids to determine if there are any indications of anti-competitive behavior.

Any fraudulent, manipulative, collusive, or noncompetitive behavior in a GHG allowance auction or reserve sale may be investigated and prosecuted in accordance with all applicable laws and regulations.

## **VII. AUCTION RESULTS AND CERTIFICATION**

Following the auction, each jurisdiction and the Market Monitor will review the auction results. Each jurisdiction will review the conduct of the auction and determine whether the auction met the requirements of their respective regulation.

### **A. Public Notification of Auction Results**

Auction results will be accessible to the public through a Joint Auction Summary Results Report which will include the settlement prices for the Current Auction and Advance Auction and will be posted on the jurisdictions' webpages. This posting is anticipated to occur at approximately the date and time listed in the Auction Schedule provided in the Auction Notice. In the event of a delay in posting the Joint Auction Summary Results Report, a message will be posted on the jurisdictions' webpages providing the new time for the release.

The Joint Auction Summary Results Report will include the following:

- The names of the qualified bidders.
- The Current Auction and Advance Auction settlement prices.
- Aggregated or distributional information on purchases with the names of the entities withheld.

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<sup>9</sup> Reserve sale is a general term used to refer to a California Reserve Sale or a Québec Sale By Mutual Agreement.

The Joint Auction Summary Results Report will present the settlement prices for the Current Auction and Advance Auction in USD and CAD. The settlement price determination in the Auction Platform is done in USD with the CAD value determined using the established Auction Exchange Rate. The auction results shown in the Joint Auction Summary Results Report will not include information regarding auction proceeds because the exchange rate process to determine final proceeds payments in a joint auction will not be immediately available.

Following the release of the Joint Auction Summary Results Report, California and Québec will each issue separate Post Joint Auction Public Proceeds Reports, which will provide the final amount of jurisdiction proceeds. The anticipated date for release of the Post Joint Auction Public Proceeds Reports is listed in the Auction Schedule provided in the Auction Notice.

## **B. Notification of Participant Auction Results**

Following the posting of the public auction results, the jurisdictions will certify the auction in the Auction Platform and representatives of Qualified Bidders will be able to view and download the participant's auction results in the participant's Financial Statement and Client Bids Report available through the Auction Platform. The Financial Statement serves as the financial settlement invoice for the auction and will include the number and total cost of allowances the participant has been awarded, if any.

The participant's Financial Statement will include the following:

- Auction Information
  - Settlement Price (Current and Advance)
  - Number of Successful Bids and Successful Bid Allowances (Current and Advance)
  - Total Bid Cost (Current, Advance, and Combined Total Cost)
- Account Information
  - Entity Information
  - Bid Guarantee Submitted by Type (cash, LOC, LOG, or bond)
  - Amount Due to Financial Services Administrator (if any)
  - Amount Due By Date (if an amount is due)
- Wiring Instructions for Submitting Payment

The participant's Client Bids Report will include bid information providing the auction results specific to each submitted bid.

## **C. Download all Reports**

Immediately following notification of availability of the participant's results in the Auction Platform, a participant's PAR or an AAR should download and save all Auction Platform reports that are available to a participant that has participated in an auction. The available reports include:

1. Client Bids Audit Report: this report provides records on all bids submitted by a participant, including the audit trail of each bid related to bid creation, updates, and deletions.
2. Client Bid Report: This report provides records on all bids submitted by a participant in their final form, identifying each successful and unsuccessful bid and the number of allowances awarded, if any.
3. Financial Statement: This report provides all information required to invoice and complete financial settlement.

As these reports are confidential, they are not available to any parties other than the PAR and AARs with an Active status in CITSS. Active PARs and AARs with Auction Platform accounts have access to participant reports for all events in which the entity participated, regardless of when the PAR or AAR was designated as such by the entity.

## **VIII. COMPLETE FINANCIAL SETTLEMENT**

### **A. Financial Settlement Requirements and Outline**

Participants will complete the financial settlement process with the Financial Services Administrator for all allowances awarded in an auction once the auction is certified. The availability of the Financial Statement represents the beginning of the seven (7) day period in which an auction participant is required to complete payment of the amount due for allowances awarded to the Financial Services Administrator. The deadline for receiving payment by wire transfer is listed in the Auction Schedule in each Auction Notice.

Participants submitting bids in CAD are required to complete financial settlement in CAD for any allowances awarded. In order to ensure that every bidder pays the exact same price per allowance, the total cost of allowances is determined as the USD settlement price multiplied by the number of allowances awarded, and then the total cost of allowances is multiplied by the Auction Exchange Rate (USD Settlement Price \* Allowances Awarded \* Auction Exchange Rate). The

same calculation is done for the Current and Advance Auction, and the total of both auctions gives the total amount due in CAD to complete financial settlement.

As part of the financial settlement process, the Financial Services Administrator will:

- For those participants that submitted cash bid guarantees, use the cash submitted to settle for any amounts owed.
- For participants that submitted physical bid guarantee instrument(s) (LOC, LOG, or bond), collect cash payment for any amounts owed from winning bidders within seven (7) days of notification of the availability of the auction results.
- Draw on the physical bid guarantee instrument(s) for any entities that fail to submit payment for amounts owed within seven (7) days of availability of the auction results.
- Distribute auction proceeds from the sale of allowances to the jurisdictions.
- Distribute auction proceeds and provide a Consigned Allowances Statement to entities that consigned allowances for an auction (applicable to consigning entities only).

Once all payments have been received, proceeds will be paid, and subsequently jurisdictions will transfer the number of allowances awarded into each winning bidder's CITSS account.

## **B. Cash Settlement**

All final financial settlements must be completed in cash by auction participants within seven (7) days of the availability of the participant's auction results in the Auction Platform. The wiring instructions for cash settlement will be included in the Financial Statement which is downloaded from the Auction Platform. If a bank (wire) transfer was submitted for the bid guarantee, the funds on account will be used to settle any amount owed, and any unused portion will be returned to the participant.

A wire transfer may require an international funds transfer. There are fees associated with an international funds transfer. All the fees associated with a cash wire transfer must be paid in advance or they will be deducted from the amount submitted for financial settlement.

- The SWIFT instruction <<OUR>> indicates that the party making the transfer has paid the fees in advance.

- Communicate with your financial institution to verify how to proceed.

The Financial Services Administrator will not accept payment in the form of a certified bank check or cashier's check for allowances awarded in an auction. If a check is received for cash settlement, the check will be returned.

If a participant fails to make cash payment within seven (7) days after notification of the availability of the participant's auction results, physical bid guarantee instruments (LOC or LOG) held on account by the Financial Services Administrator will be used to obtain payment for allowances purchased in the auction.

### **C. Return of Bid Guarantee**

The Financial Services Administrator will return any unused bid guarantees based on the return instructions provided in CITSS. Cash will be returned through wire transfer<sup>10</sup> and physical bid guarantee instruments in the form of a LOC, LOG, or bond will be returned directly to the auction participants through FedEx or DHL delivery by the Financial Services Administrator. The Financial Services Administrator will send an email to the PAR and all AARs of auction participants in advance of sending back the unused bid guarantee so they can prepare for receipt of funds or physical bid guarantee instruments.

All unused bid guarantees for unsuccessful bidders, regardless of type, will be returned within approximately three (3) business days after the auction is certified.

For winning bidders that provided a cash bid guarantee, the funds will be applied against the final settlement amount owed. If there is cash remaining after the amount owed for awarded allowances has been deducted, the unused cash will be returned to the auction participant through Fedwire transfer based on the return instructions provided during the application process in the Auction Platform.

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<sup>10</sup> If a cash wire transfer is returned to the Financial Services Administrator by an entity's financial institution due to an error or incomplete wire transfer details provided by an entity, resulting in a fee charged to the Financial Services Administrator, the fee will be reflected in the total bid guarantee returned to an entity. A returned wire fee is not an auction fee, but is a common banking transaction fee not related to the California Cap-and-Trade Program, Québec Cap-and-Trade System, or the auction process.

For winning bidders that provided bid guarantees in the form of a LOC, LOG, or bond, following receipt of all amounts owed, the Financial Services Administrator will return physical bid guarantee instruments directly to the participants through FedEx or DHL delivery, based on the return instructions provided during the application process in the Auction Platform.

## **IX. TRANSFER OF ALLOWANCES INTO CITSS ACCOUNTS**

Allowances are transferred to winning bidders following completion of financial settlement and distribution of auction proceeds to the jurisdictions and consigning entities. The expected date for allowance transfers is provided in the Auction Schedule in the Auction Notice.

Transfers of allowances into CITSS accounts will be conducted by each jurisdiction to each successful bidder's CITSS account. In a fully subscribed Current Auction, where there are multiple vintages offered for sale, successful bidders will receive awarded allowances including the quantity of each allowance vintage or type based on the proportion of the quantity of each jurisdiction's contribution to the total allowances offered in the auction. In an undersubscribed auction, the proportions by vintage in which bids are filled may vary due to the requirements of the California and Québec Regulations for the sale of allowances.

In a simple case, where the Current Auction allowances are all the same vintage, each bid lot would be comprised of allowances from both jurisdictions proportional to the quantity of each jurisdiction's contribution to the total Current Auction budget. For example, if the Current Auction budget included 60 percent California 2017 vintage allowances and 40 percent Québec 2017 vintage allowances, each bid lot of 1000 allowances would include 600 California 2017 vintage allowances and 400 Québec 2017 vintage allowances. Each jurisdiction conducts separate transfers for the proportion of allowances awarded from the jurisdiction; therefore, winning bidders in this example will see two (2) allowance transfers, one from California and one from Québec.

For a slightly more complex case, where there are multiple vintages in the Current Auction, assume the Current Auction total budget split is still 60 percent California and 40 percent Québec. In this case, the Québec portion includes multiple vintages: 5 percent are 2015 vintage allowances and 35 percent are

2017 vintage allowances within its total 40 percent. If the auction were fully subscribed, each awarded bid lot of 1000 allowances would include 600 California 2017 vintage allowances, 50 Québec 2015 vintage allowances, and 350 Québec 2017 vintage allowances. This example can be expanded using the same logic of proportionality if there are more than two vintages for a jurisdiction. In a situation where there are not enough allowances of a specific vintage to evenly distribute across all winning bid lots, a tiebreaker process is used to assign allowances of that vintage to winning bidders.

In the case of an undersubscribed Current Auction, the proportions may vary due to the Regulatory requirements of the jurisdictions for the sale of allowances. The proportions by each jurisdiction will remain as the proportion of each jurisdiction's contribution to the total allowances offered for sale in the Current Auction. Within each jurisdiction's proportion, the specific distribution by vintage will depend on the overall percentage of allowances sold.

## **X. CONSIDERATIONS FOR CA ENTITIES CONSIGNING ALLOWANCES (CALIFORNIA CAP-AND- TRADE PROGRAM ONLY)**

Entities with Limited Use Holding Accounts may consign allowances to the Executive Officer for sale at the quarterly auctions. Consigning allowances is a separate action available only to those entities identified in the California Regulation. All allowances in a Limited Use Holding Account must be consigned to auctions occurring during the year of their vintage. Each consigning entity agrees to accept the auction settlement price for allowances sold at each auction. For each auction, allowances designated for consignment must have been transferred from the entity's Limited Use Holding Account to the Auction Holding Account in CITSS at least seventy-five (75) days before the auction. Any allowances transferred to the Auction Holding Account less than seventy-five (75) days before the scheduled auction will be consigned to the subsequent auction. Allowances transferred in CITSS cannot be indicated for consignment towards a future auction. If you need assistance in completing this transfer in CITSS, please refer to the CITSS User Guides, available from the ARB CITSS webpage.

If you need assistance in the consignment process, please refer to the Guidance for Allowances Consignment to Auction fact sheet available from the ARB Auction Information webpage.

If an entity is only consigning allowances to the auction and does not wish to participate in the auction, the entity's representative needs to confirm its consignment wiring instructions. Additional information on the actions to be taken to confirm existing wiring instructions or provide new wiring instructions is provided in the *CITSS Auction Consignment Wiring Instructions User Reference* available from the CITSS User Guides section of the ARB CITSS webpage.

This ensures that the Financial Services Administrator has current wire transfer instructions for the payment of of consignment proceeds.

An entity that consigns allowances to an auction and also wishes to participate in the same auction must complete the process to apply for the auction by completing all required actions described in this document.