



GHG Allowance Practice Auction Training Webinar

August 16, 2012
2:00pm to 4:00pm PDT

Webinar Agenda



- Introduction
- Schedule
- Practice Auction Platform Overview
- Auction Platform Account Activation
- Practice Auction Application Overview
 - ✓ Intent to Bid
 - ✓ Entity or Individual Details
 - ✓ Account Representative Details
 - ✓ Practice Auction Bid Guarantee Information
 - ✓ Attestation
- Practice Auction Bid Guarantee Process
- Practice Auction Application Status
- Practice Auction Format
- Practice Auction Bid Submission
- Determining the Settlement Price
- Practice Auction Results
- Practice Auction Survey
- Training Resources & Webinars
- Practice Auction Questions

Introduction



The objective of the practice auction is to introduce entities registered under the California Cap-and-Trade Regulation to the auction platform and financial services process and procedures, and provide training on auction mechanics in preparation for the GHG allowance auction in November 2012.

The practice auction training is designed to give you an overview of processes to follow for the practice auction. The practice auction will follow the actual auction process as closely as feasible.

Practice Auction Schedule



Activities	Date	Time
Practice auction application available in the practice Auction Platform	Monday, August 27, 2012 – Tuesday, August 28, 2012	Application process starts at 9:00 am PDT on August 27 th and ends at 11:59 pm PDT on August 28 th
Accounts opened with Financial Services Administrator	Tuesday, August 28, 2012 – Wednesday, August 29, 2012	
Practice bid guarantee processed by Financial Services Administrator	Tuesday, August 28, 2012 – Wednesday, August 29, 2012	2:00 pm PDT
ARB approves practice auction participants	Wednesday, August 29, 2012	
Practice auction held	Thursday, August 30, 2012	The bidding window is open from 10:00 am – 1:00 pm PDT

Practice Post Auction Schedule



Activities	Date	Time
Practice auction results produced in the practice Auction Platform	Thursday, August 30, 2012	
Practice auction results reviewed by ARB and the Market Monitor	Friday, August 31, 2012	
Participants notified of practice auction results through email	Tuesday, September 4, 2012	
Practice auction participant survey conducted	Wednesday, September 5, 2012 – Thursday, September 6, 2012	

Auction Platform Overview



The Auction Platform has been designed to provide a state-of-the-art auction solution for California Cap-and-Trade Program.

The Auction Platform is the central platform for administration of auction and reserve sales that has been designed and developed to integrate with the other platforms.

The Auction Platform allows participants to apply for, post bids to, and review results for the auction and reserve sales.

Practice Auction Eligibility: All entities that registered for the California Cap-and-Trade Program in January 2012 are eligible to participate in the practice auction.

Auction Platform Account Activation



Practice auction participants that have registered and obtained accounts in the practice CITSS will receive an account activation email on Monday, August 27th by 9:00 am PDT from auctionsupport@markit.com with the subject line: Account Activation for Auction Platform.

The account activation email will contain a link to the practice Auction Platform set password page where you can activate your account. The link will expire within 24 hours.

Once your password is set, you will be directed to the practice Auction Landing Page (<https://practice.wci-auction.org>) and can login into the practice Auction Platform.

Please ensure you save the account activation email and the above URL as you will need to refer to it to access the practice Auction Platform.

The Practice Auction Platform



Once you log into the Auction Platform, you will be directed to the Auction Platform landing page and then you should proceed to the Application tab on the top banner.

The screenshot shows the landing page of the Auction & Reserve Sale Platform. The header includes the WCI, Inc. logo, the title "Auction & Reserve Sale Platform", and user information "Welcome, Test Org | LOGOUT | SUPPORT". A navigation menu contains "Home", "Resources", "Archive", "Application", and "Auction". A status indicator "AUCTION IS CLOSED" is visible. The main content area features a welcome message, a countdown timer for the next quarterly auction (September 04, 2012) showing 28 days, 07 hours, and 45 minutes, and a table of auction details. The table shows an auction reserve price of \$10.00 USD, with options for CAD and US Dollar. The page is divided into sections: "Auctions Welcome" with a description of the platform's purpose, "About the Platform" with a video player, "REPORTS" with a document type filter set to "Auction" and a report selection dropdown, "AUCTION HIGHLIGHTS", and "NOTICES" with a "VIEW ALL" link and a "PRACTICE AUCTION NOTICE" for August 3, 2012.

Auction & Reserve Sale Platform Welcome, Test Org | LOGOUT | SUPPORT

Home Resources Archive Application Auction AUCTION IS CLOSED

Welcome to the GHG Allowance Auction & Reserve Sale Platform

The next Quarterly Auction will be held on September 04, 2012

28:07:45
DAYS HOURS MINS

Auction Reserve Price	\$10.00 USD	-- CAD	FX Rate	-- US Dollar	-- Canadian Dollar
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Auctions Welcome

This page is the home page for the Auction Platform where you access through the top tabs to: resources, archive, auction and reserve sale application, and the auction window.

To the right of this page you will also be able to access your accounts recent auction and/or reserve sale result reports.

About the Platform

REPORTS

Document Type
Auction Template

Report or Document
Select

CSV XML

AUCTION HIGHLIGHTS

NOTICES

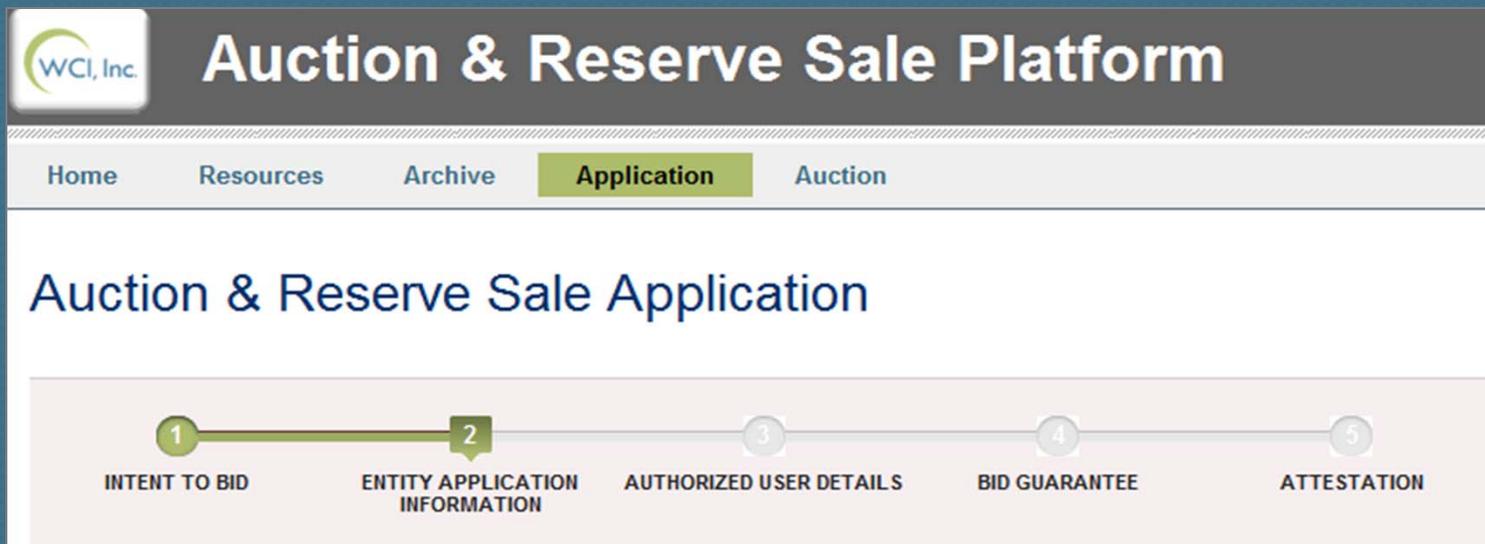
[VIEW ALL](#)

PRACTICE AUCTION NOTICE:
2012 Q3 AUGUST 30
AUGUST 3, 2012

Auction Platform Application Overview



The Auction Platform application process is designed to be user friendly with visual cues and easily accessible information on how to proceed with the application process.



Practice Auction Platform Application Process Overview



The auction application process requires all participants to complete the following steps in the practice Auction Platform:

Step 1: Confirm intent to bid

Step 2: Verify entity or individual application information

Step 3: Verify account representative details (for entities only)

Step 4: Submit bid guarantee information

Step 5: Attestation

Note: only one authorized account representative for an entity may submit the application for an entity.

Practice Auction Platform Application



Step 1: Confirm Intent to Bid

To confirm your intent to bid in the practice auction, you will need to select the 2012 Q3 Practice Auction August 30 from the drop down list.

Do you intend to bid?

Our entity intends to bid in the upcoming auction or reserve sale:

Select Auction

Please note: *If you are a covered entity and would like to participate in both the auction and reserve sale, please submit your intent to bid and complete your application for the upcoming auction. You will need to submit a separate intent to bid for the reserve sale.*

Back

Cancel

Confirm & Continue

Practice Auction Platform Application



Step 2: Verify your entity or individual application information

Entity and individual application details will be pre-populated from the practice CITSS registration and account application information. Please review the pre-populated fields for consistency with your practice auction CITSS registration.

Only the fields shown require verification.

For individual applicants participating in the practice auction, please **do not** download or complete the Individual Auction or Reserve Sale Participant Documentation Form on the individual applicant page. Forms mailed to Financial Services Provider will be discarded.

Practice Auction Platform Application



Step 3: Verify Account Representatives (entities only)

Please review the pre-populated fields for consistency with your practice auction CITSS registration and account application.

Verify your account representative details.

Primary Account Representative

Name
Lucy Lee

Email
lucy.lee@markitco.com

Phone
7032846104

Alternate Account Representative

Name
John Black

Email
john.black@markitco.com

Phone
1234567892

[Back](#) [Cancel](#) [Confirm & Continue](#)

Practice Auction Platform Application



Step 4: Submit Bid Guarantee Information

Entities and individuals must indicate the form of practice bid guarantee (cash or wire transfer, letter of credit, or bond) in the practice Auction Platform as part of the practice auction application process, but will not submit cash or physical bid guarantee documents to the Financial Services Administrator.

Please submit your bid guarantee in one or a combination of the following forms from a financial institution.

Which form do you plan to submit?

- Cash in the form of a wire transfer or certified funds, such as a bank check or cashier's check
- Irrevocable Letter of Credit
- Surety Bond / Bank Bond

Note: All bid guarantee amounts for the practice auction will be set to USD \$90 million.

Practice Auction Platform Application



Step 4: Submit Bid Guarantee Information (cont.)

Once you make the bid guarantee selections, forms for return information will be automatically generated in the Auction Platform:

- Irrevocable Letters of Credit and Surety Bond/ Bank Bonds, complete the required Post Auction Return Address form (as shown below).

Return Instructions for Bond or Irrevocable Letter of Credit

Same as mailing address

Entity Legal Name <input type="text" value="Application Org 3"/>	Individual Name <input type="text"/>
Street Address <input type="text"/>	Street Address 2 <input type="text"/>
City <input type="text"/>	State <input type="text"/>
Country <input type="text" value="Select Country"/>	Zip Code <input type="text"/>
Phone <input type="text"/> - <input type="text"/> - <input type="text"/>	

Auction Platform Application



Step 4: Submit Bid Guarantee Information (cont.)

- For cash in the form of a wire transfer or certified funds, such as bank check or cashier's check, please complete the required Post Auction Return Account form.

Return Instructions for Cash

Beneficiary Account Name	Beneficiary Account Number
<input type="text"/>	<input type="text"/>
Beneficiary Bank Name	Beneficiary Bank's Routing Number
<input type="text"/>	<input type="text"/>

Additional Details MAX 250 CHARACTERS

Explanation

Note: For the purposes of the practice auction it is not required that you provide real return addresses or post auction return account details.

Auction Platform Application



Step 5: Attestation

The final step of the application process is to certify to the attestation as shown below. This step is required by all practice auction participants.

The following attestation is required.

I certify that I have not been the subject of any previous or currently pending investigations related to any alleged violation of any law, rule, or regulation in connection with any commodity market, exchange, or by the Securities and Exchange Commission or Commodity Futures Trading Commission.

Yes

No

Note: A negative attestation will result in your application being rejected for the practice auction.

Practice Auction Platform Application Status



- Once a practice auction participants has submitted their application, the Application Status bar on the right hand side of the Auction Platform will show the practice auction as submitted with a green check box.

The screenshot displays the 'Auction & Reserve Sale Application' process flow. The flow consists of five steps: 1. INTENT TO BID, 2. ENTITY APPLICATION INFORMATION, 3. AUTHORIZED USER DETAILS, 4. BID GUARANTEE, and 5. ATTESTATION. The 'APPLICATION STATUS' bar on the right shows the current status as 'SUBMITTED' with a green checkmark icon. A red dashed box highlights the 'SUBMITTED' status and the 'REVIEW' button. Below the flow, the text 'Application Submitted' is visible, along with a 'Review Submission' button.

- Participants will receive an email from auctionsupport@markit.com with the subject line: Application for Practice Auction received by the Auction Administrator.

Practice Auction Bid Guarantee Process



- By August 29th participants will receive a sample email from the Auction Platform auctionsupport@markit.com with the subject line: Sample - Application for Practice Auction reviewed by Financial Services Administrator
- This indicates that an account has been established with the Financial Services Administrator

Note: This is a sample email to demonstrate the bid guarantee process and no action is required.

Practice Auction Bid Guarantee Process



- To further demonstrate the bid guarantee process, participants will receive a sample email from auctionsupport@markit.com with the subject line: Sample - Bid Guarantee received by Financial Services Administrator

Note: This is a sample email to demonstrate the bid guarantee process and no action is required. There will be no bid guarantee submission or financial settlement in the practice auction and all bid guarantees will be set to USD \$90 million

Practice Auction Application Approval or Rejection



- On August 29th, ARB will approve or reject participants for the practice auction
- Based on ARB's determination, your application approval or rejection status will be communicated via a sample email from auctionsupport@markit.com with the subject line: Sample – Application status for the upcoming practice auction.
- Your Application Status bar on the right hand side of practice Auction Platform will also reflect ARB's determination

Practice Auction Format



The Practice Auction will follow a sealed bid, single round, uniform price (lowest winning bid) format. The practice auction will have current and future practice allowance vintages offered in separate auctions in lots of 1,000 allowances (equal to 1,000 metric tons of GHG's):

- Current (2013) Practice Allowances Available: 20 million
- Future (2015) Practice Allowances Available: 40 million
- Reserve Price: USD \$10

Practice Auction Bidding Window



The bidding window can be accessed by clicking on the Auction tab on the top banner of the Auction Platform. The bidding window will be accessible Thursday, August 30, 2012 from 10:00AM to 1:00PM PDT.

The Practice auction participants will be able to see whether the Auction window is open or closed on the right hand side of the top banner of the Auction Platform by either a green or red light (a green light as shown above signifies the auction bidding window is open).

Auction Bid Submission



- Participants will be able to submit bids manually and upload bid schedules in the practice Auction Platform during the 3-hour bidding window
- For each bid the following must be entered: Number of Bid Lots (1 lot = 1,000 allowances), Bid Price, and the vintage must be selected. The Number of Total Allowances will be calculated based on Number of Bid Lots entered
- Practice auction participants will be prompted to enter their bids in whole United States Dollars (“USD”) and whole cents, only
- Participants can edit or withdraw their bids submitted during the 3-hour practice auction bidding window

<i>Bid Number</i>	<i>User</i>	<i>Time</i>	<i>Currency</i>	<i>Bid Price</i>	<i>Bid Lot x 1000</i>	<i>Vintage</i>	<i>Total Allowances</i>	
1638		15:24:12	USD ▾	35.00	8	2013 ▾	8,000	<input type="button" value="X"/> <input type="button" value="Submit"/>

Practice Auction Bid Schedule Submission



- Bid schedules are upload based on a pre-formatted spreadsheet available in the Auction screen and on practice Auction Platform landing page to the right under report templates

A screenshot of the "Auction & Reserve Sale Platform" web application. The header includes the WCI, Inc. logo, the title "Auction & Reserve Sale Platform", and user information "Welcome, Test Org | LOGOUT | SUPPORT". A navigation bar contains tabs for "Home", "Resources", "Archive", "Application", and "Auction", with "Home" selected. A status indicator "AUCTION IS OPEN" with a green circle is on the right. The main content area has a heading "Welcome to the GHG Allowance Auction & Reserve Sale Platform". Below this, there are three sections: "Auctions Welcome" with introductory text, "About the Platform" with a video player showing a play button, and "REPORTS" with a "Document Type" selector (set to "Template"), a "Report or Document" dropdown (set to "Bids Upload"), and a "Download" button.

Auctions Welcome

This page is the home page for the Auction Platform where you access through the top tabs to: resources, archive, auction and reserve sale application, and the auction window.

To the right of this page you will also be able to access your accounts recent auction and/or reserve sale result reports.

About the Platform

REPORTS

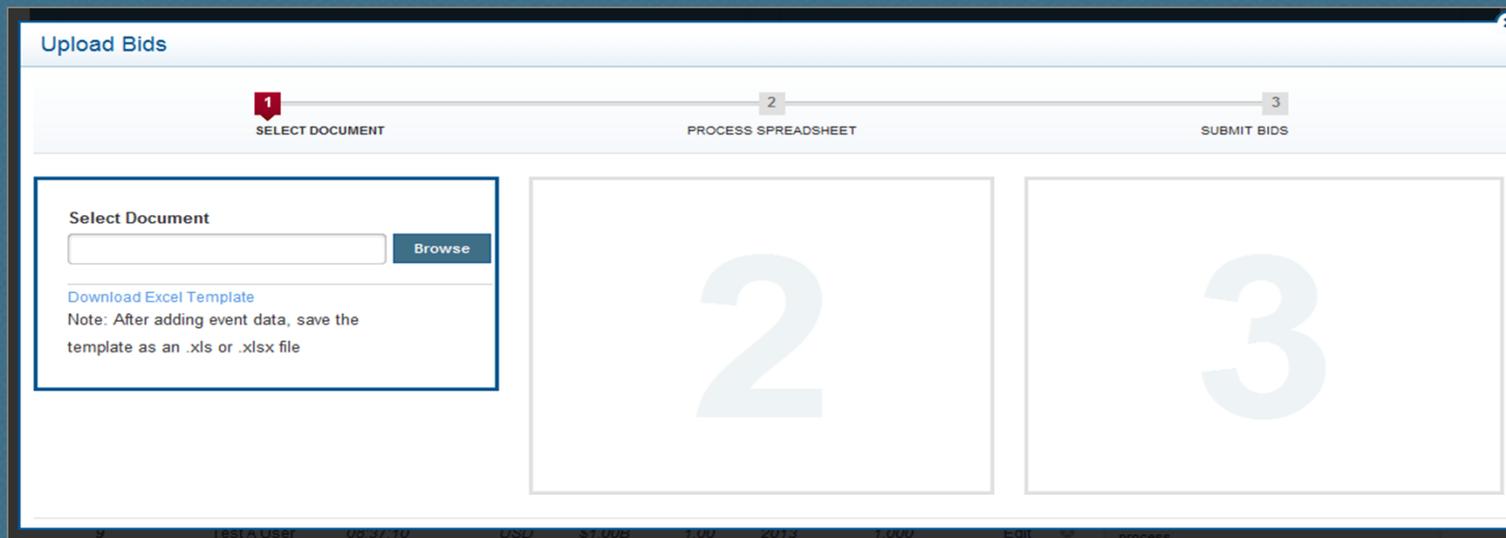
Document Type
Auction **Template**

Report or Document
Bids Upload

Download

Practice Auction Bid Schedule Submission

- Bid schedules can be uploaded during the bidding window using the Upload Bids function



Upload Bids

1 SELECT DOCUMENT 2 PROCESS SPREADSHEET 3 SUBMIT BIDS

Select Document

[Browse](#)

[Download Excel Template](#)

Note: After adding event data, save the template as an .xls or .xlsx file

2

3

TEST USER 00:37:70 USD \$1,000 1.00 2015 1,000 Edit process

Determining the Settlement Price



Sort all the bids by price in descending order



Beginning with the highest bid price and proceeding to successively lower bid prices, bids at each bid price will be accepted until:

Scenario 1

Next lower bid price above the Reserve Price determines the Settlement Price and winning bids; or

Scenario 2

Total amount of bids greater and equal to the total allowances available, then determines the Settlement Price and winning bids

Example

Participants – Organization A, B and C

Reserve Price – \$10

Total Allowances Available – 3,000 Lots (1 Lot = 1,000 Allowances)

Scenario 1

Org	Bid Price	Bid Amount (Lots)	Cumulative Bids (Lots)
C	\$13	456	456
A	\$12	589	1045
C	\$11	601	1646
B	\$11	463	2109
A	\$9	456	2565
B	\$8	365	2930

Accepted

Settlement Price = \$11, because the next lower bid price 9 < the Reserve Price \$10

Scenario 2

Org	Bid Price	Bid Amount (Lots)	Cumulative Bids (Lots)
C	\$15	789	789
A	\$14	625	1414
A	\$13	632	2046
B	\$13	598	2644
A	\$13	356	3000
C	\$12	365	3365

Accepted

Settlement Price = \$13, because the total amount of bids at next lower bid \$13

Practice Auction Results



- Practice auction participants will receive a sample results email on September 4th from auctionsupport@markit.com with the subject line: Sample - Practice Auction is certified by ARB
- For the purpose of the practice auction, participants' results will not be available in the practice Auction Platform. Results will be sent via email to participants after the sample auction certification email and will be the same for all participants. The practice auction settlement price and data on the number of practice allowances sold will not be provided

Practice Auction Survey



- A practice auction survey will be conducted on September 5th to September 6th
- The invitation to participate in the practice auction survey will be sent to all practice auction participants of the practice auction from auctionsupport@markit.com with the subject line: ARB Practice Auction Participant Survey. The invitation will be sent by email and will contain a link to the survey
- All participants are encouraged to participate in the online survey and all feedback will be considered for future auctions in 2013

Training Resources & Webinars



Once logged into the practice Auction Platform, participants will have access to additional training materials (from Monday, August 27, to Friday, August 31) including:

- The Auction Platform User Guide
- Frequently Asked Questions
- Practice Auction participant training webinar session PowerPoint presentation with video playback

Practice Auction Questions



If you have questions regarding the Practice Auction,
please contact the Air Resources Board at (916) 324-7659.