California-Québec Joint Auction Participant Training Presentation

Provided By:

California Air Resources Board (ARB)
and
Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC)

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California Environmental Protection Agency
Air Resources Board

WCI, Inc.

Québec

Auction Participant Training Agenda

- **Section I: Overview**
  - Introduction
  - Auction Eligibility
  - General Auction Schedule
  - Administrative Requirements
  - Currency Management
- **Section II: Auction Participation & Bidding**
  - Auction Participation Process
  - Auction Bidding
  - Bidding Limitations
- **Section III: Auction Results & Financial Settlement**
  - Settlement Price and Bid Fulfillment Determination
  - Auction Conduct
  - Market Monitoring
  - Auction Results
  - Financial Settlement
  - Contact Information

Auction Participant Training Agenda

❖ Section I: Overview

- Introduction
- Auction Eligibility
- Auction Notice
- General Auction Schedule
- Administrative Requirements
  - o Compliance Instrument Tracking System Service (CITSS) Account
  - o Select CITSS "Auction Participation" Box
  - o Auction Platform Account
- Currency Management
  - o Auction Exchange Rate
  - o Auction Reserve Price

Introduction

- 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 to be used for compliance with each program.
- As a result of the linked jurisdiction programs, California (CA) and Québec (QC) will hold joint greenhouse gas (GHG) allowance auctions to allow market participants to acquire GHG allowances.
- Auction and Reserve Sale Platform
  - Referred to as the Auction Platform for simplicity
  - Accessible at https://www.wci-auction.org

Auction Eligibility

- California and Québec entities with approved Compliance Instrument Tracking System Service (CITSS) accounts are eligible to participate in joint auctions.
- California entities (CA entities)
  - Refers to all entities registered under the California Cap-and-Trade Program: covered entities, opt-in covered entities, and voluntarily associated entities.
- Québec entities (QC entities)
  - Refers to all refers to all entities registered under the Québec Cap-and-Trade System: emitters and participants.

Note: In this presentation, the term “entity” refers to all CA entities and QC entities.

Auction Notice

- Auction Notices are posted to the jurisdiction webpages 60 days prior to each auction.
- Auction Notices provides information about eligibility, auction format, and greenhouse gas (GHG) allowances to be auctioned.
  - Attachment A of the Auction Notice provides additional detail about auction requirements and instructions for participation.
  - Attachment B of the Auction Notice provides information on bidding limitations and the settlement price determination process, and provides examples for reference.

Auction Notice

- Allowances offered for sale in a joint auction are issued under the California Cap-and-Trade Program and the Québec Cap-and-Trade System.
- The allowances offered in the Current Auction may include multiple allowance types and allowances of vintages prior to the current year.
  - Information on the specific quantity and types of allowances offered in the Current Auction will be made available in each Auction Notice.
- Allowances offered in the Advance Auction will be of a vintage year three years subsequent to the current calendar year.

General Auction Schedule

Activities	Auction Time Period	Time – Pacific Time (PT) / Eastern Time (ET)
Auction Notice released/ Auction application period opens	60 days prior to auction	12:00 PM (Noon) PT / 3:00 PM ET
Deadline for entities to make changes in auction application information and submit all hard copy documents accompanying these changes	No later than 30 days prior to auction	
Deadline for CA entities to complete or provide an update to the Auction Application Attestation Disclosure	No later than 30 days prior to auction	
Auction application period closes	30 days prior to auction	8:59 PM PT / 11:59 PM ET

General Auction Schedule

Activities	Auction Time Period	Time - Pacific Time (PT) / Eastern Time (ET)
All bid guarantees due to Financial Services Administrator	12 days prior to auction	No later than 3:00 PM PT / 6:00 PM ET
Auction participants approved and PAR and AARs notified	2 business days prior to auction	
Auction Exchange Rate (FX Rate) and Auction Reserve Price Determined and Posted	1 business day prior to auction	
Auction held	Date provided in Auction Notice	Bidding window 10:00 AM – 1:00 PM PT / 1:00 PM – 4:00 PM ET
Joint Auction Summary Results Report released	5 business days after auction	12:00 PM (Noon) PT / 3:00 PM ET
Auction certified Auction results available to qualified bidders	5 business days after auction	12:00 PM (Noon) PT / 3:00 PM ET

General Auction Schedule

Activities	Auction Time Period	Time - Pacific Time (PT) / Eastern Time (ET)
Financial settlement in cash due to Financial Services Administrator	7 days after certification of the auction and availability of entity results	No later than 3:00 PM PT / 6:00 PM ET
Distribution of auction proceeds completed by	9 business days after financial settlement is due	
Transfer of allowances into CITSS Accounts	9 business days after financial settlement is due	
California and Québec Post Joint Auction Public Proceeds Reports released	9 business days after financial settlement is due	
Earliest date for bid guarantee expiration	26 days after auction	

Administrative Requirements: CITSS Account

Compliance Instrument Tracking System Service (CITSS)

- An entity must have an approved account in CITSS before applying to participate in an auction.
- Individuals must be approved as either the Primary Account Representative (PAR) or an Alternate Account Representative (AAR) on the entity's CITSS account in order to take actions in the Auction Platform on behalf of the entity, for example:
  - submit an application for the entity or confirm its intent to bid,
  - bid on behalf of the entity,
  - or download and save reports.

Administrative Requirements: Select CITSS "Auction Participation" Box

- A PAR or AAR from each entity must select the "Auction Participation" box in CITSS to indicate the entity's interest in participating in upcoming auctions.
  - If box is already selected, no further action in CITSS is needed.
  - By selecting this box, an entity representative agrees to have CITSS account information transferred to the Auction Administrator and Financial Services Administrator.
- To select the "Auction Participation" box in CITSS, step-by-step instructions are provided in CITSS User Guides. Contact the CITSS Help Desk for further questions.

Administrative Requirements: Auction Platform Account

- The Auction Platform allows entity representatives (PAR and AARs) to apply, download required templates, post bids, review results, and download reports for an auction.
- The approved PAR and AARs authorized to act on an entity's behalf must have an active Auction Platform account.
  - If the representative previously activated an Auction Platform account, the previously established username and password can be used for account access.
  - If the representative has not previously been designated as the PAR or an AAR for an entity that indicated interest in auction participation, the representative will receive an email inviting him or her to activate his or her Auction Platform account.

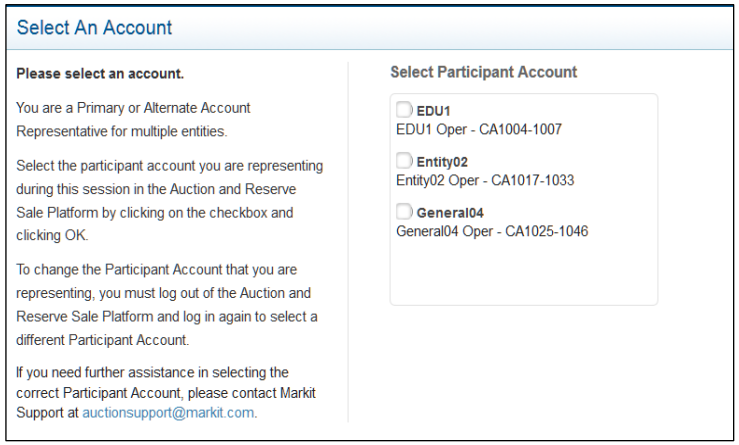
Administrative Requirements: Auction Platform "Account Activation"

- A first time representative will receive an "Account Activation for Auction Platform" email from auctionsupport@markit.com.
- The Account Activation email will contain an activation link for the representative to activate his or her Auction Platform account.
  - The activation link can only be used once and expires within 24 hours. If the activation link in the Account Activation email has expired, the user will need to request a new activation link from auctionsupport@markit.com.
- The username for an Auction Platform account is the email address as listed in CITSS (e.g., john.doe@email.com).

Administrative Requirements: Auction Platform Account

Representatives of Multiple Entities

- Consistent with CITSS, the Auction Platform allows an individual to represent multiple entities as a PAR or AAR.
- Auction Platform Example: The "Select an Account" pop up displays multiple entities for users that are associated with more than one entity.



Currency Management

- For a joint auction, both USD and CAD will be accepted, while all bid assessments and settlement prices will be determined in USD.
- CA entities may only participate in USD.
- QC entities have the option of participating in a joint auction in either USD or CAD. The currency selected during the auction application or confirmation of intent to bid process will determine the currency of the bid guarantee and bids to be submitted, and completion of financial settlement.
  - No changes in the currency selected when the application or confirmation of intent to bid is submitted will be allowed.

Currency Management: Auction Exchange Rate

- To manage joint auction participation in CAD and USD, an Auction Exchange Rate is determined prior to each joint auction.
- The Auction Exchange Rate (USD to CAD) in effect the day of the joint auction and for financial settlement by auction participants will be set the business day prior to the auction as the most recently available noon daily buying rate for U.S. and Canadian dollars as published by the Bank of Canada.
- In the Auction Platform, the Auction Exchange Rate is displayed as USD to CAD FX Rate.

Currency Management: Auction Exchange Rate

- 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.
- For any QC entity that is participating in the joint auction in CAD, the total cost of allowances awarded will be determined in USD and then converted to the CAD value using the Auction Exchange Rate so the entity can complete financial settlement in CAD.

Currency Management: Auction Reserve Price

- The Auction Reserve Price will be determined as the higher of the California or Québec Annual Auction 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.
- The Auction Reserve Price effective for the joint auction will be displayed in the Auction Platform the business day prior to the auction.
  - Auction Reserve Price is displayed in USD and CAD.

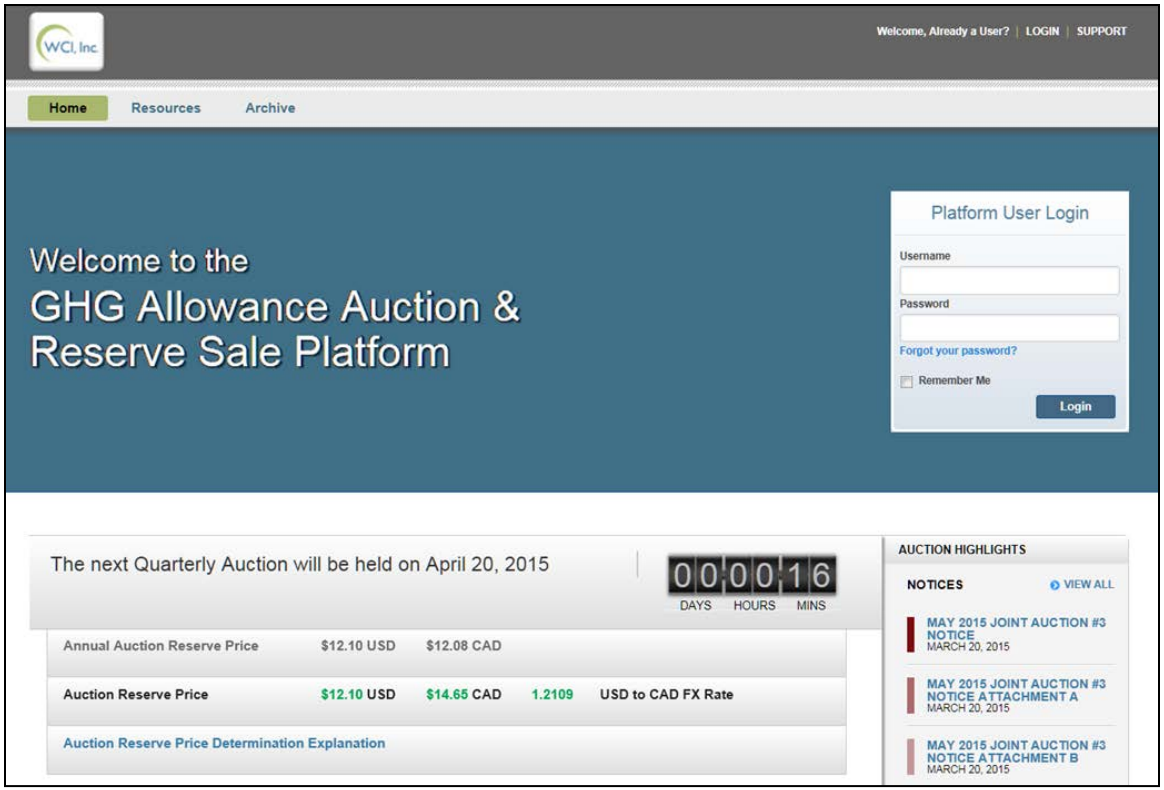
Currency Management: Auction Reserve Price (Example – Not for Actual Use)

Auction Exchange Rate	**1.1000**
California Annual Auction Reserve Price (USD)	**12.10**
California Annual Auction Reserve Price (CAD Value)	**13.31**
Québec Annual Auction Reserve Price (CAD)	12.08
Québec Annual Auction Reserve Price (USD Value)	10.98

- The bolded values in the table above indicate that in this example the California Annual Auction Reserve Price will be the Auction Reserve Price ($12.10 USD and $13.31 CAD).
- The Auction Exchange Rate of 1.1000 is for example purposes only and is not representative of the actual anticipated exchange rate for any auction.

Currency Management: Auction Reserve Price

Auction Platform Example: Auction Reserve Price



Auction Participant Training Agenda

- **Section II: Auction Participation & Bidding**
  - Auction Participation Process
    - Steps 1 - 4
  - Auction Bidding
  - Bidding Limitations
    - Purchase Limits
    - Holding Limits
    - Bid Guarantee

Auction Participation Process Steps 1 - 4

- **An entity will need to follow these general steps to participate in an auction:**
  - **Step 1:** Apply to participate/confirm intent to bid in the auction
  - **Step 2:** Submit a bid guarantee
  - **Step 3:** Receive notice of entity's approval to participate
  - **Step 4:** Participate in the auction

Auction Participation Process

Step 1: Auction Application

- If an entity was not previously approved to participate in an auction, one entity representative (the PAR or an AAR) must submit an auction application through the Auction Platform.
- If an entity was previously approved to participate in an auction and has had no material changes in the entity's application information, one entity representative (the PAR or an AAR) must confirm the entity's intent to bid through the Auction Platform.
- For simplicity, the Auction Platform uses the term "application" whether an initial auction application or a confirmation of intent to bid is submitted.

Auction Participation Process

Step 1: Auction Application

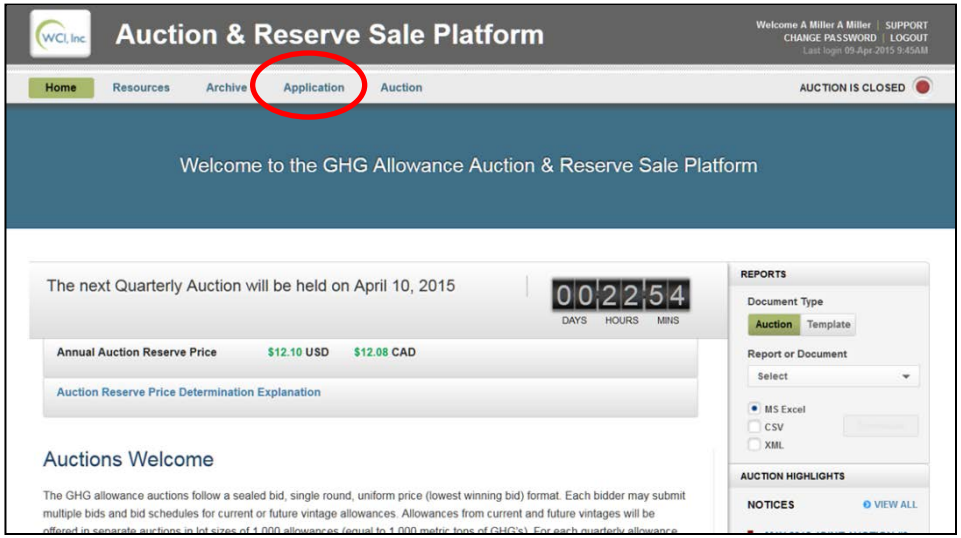
- To apply to participate in the auction or confirm an intent to bid, the entity's PAR or an AAR must complete the following steps in the Auction Platform:
  - **Step 1a:** Confirm the event in which the entity intends to bid
  - **Step 1b:** Verify entity and account representative information
  - **Step 1c:** Provide information on the form and currency of bid guarantee to be submitted, and return instructions
  - **Step 1d:** Complete the Attestation response and submit auction application
- An application must be submitted or intent to bid confirmed in the Auction Platform by the PAR or an AAR by no later than the date and time the auction application period closes as provided in the Auction Notice.

Auction Participation Process

Step 1: Auction Application

Auction Platform Example: Application Tab

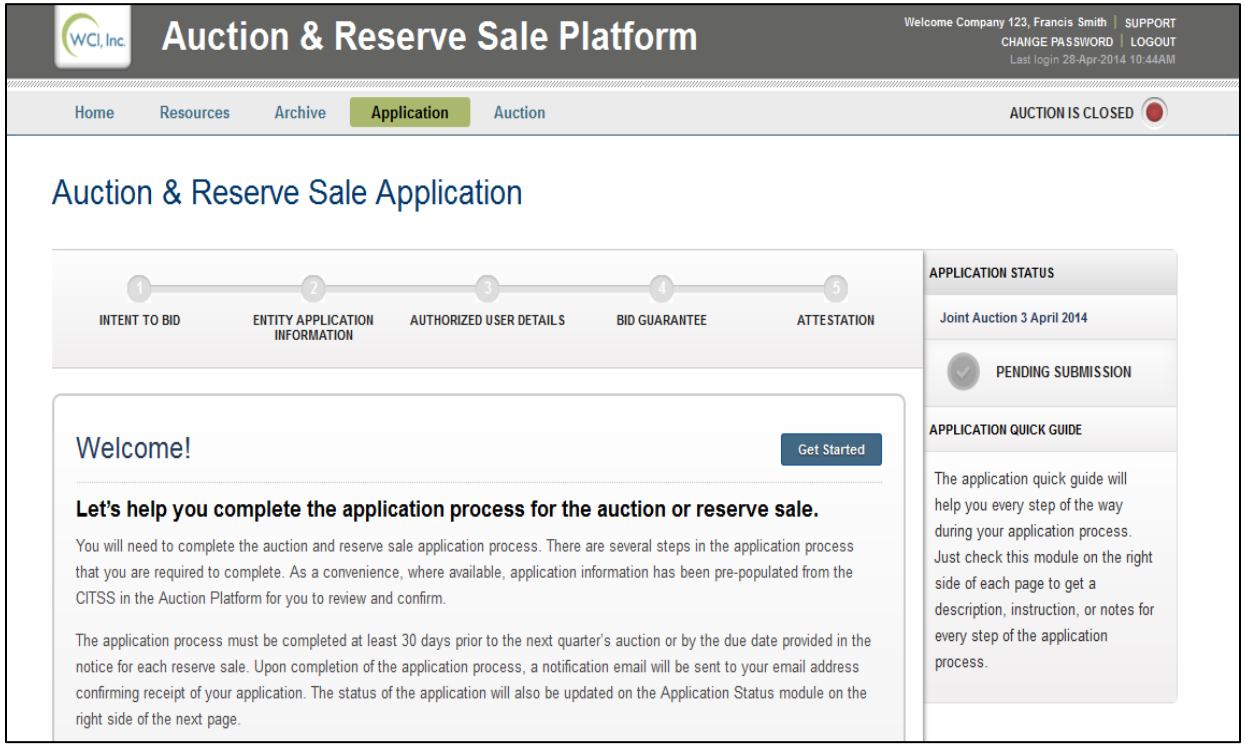
- To access the Auction Application, the PAR or an AAR will need to log in to the Auction Platform and proceed to the Application Tab on the top banner.



Auction Participation Process

Step 1: Auction Application

Auction Platform Example: Application Pages

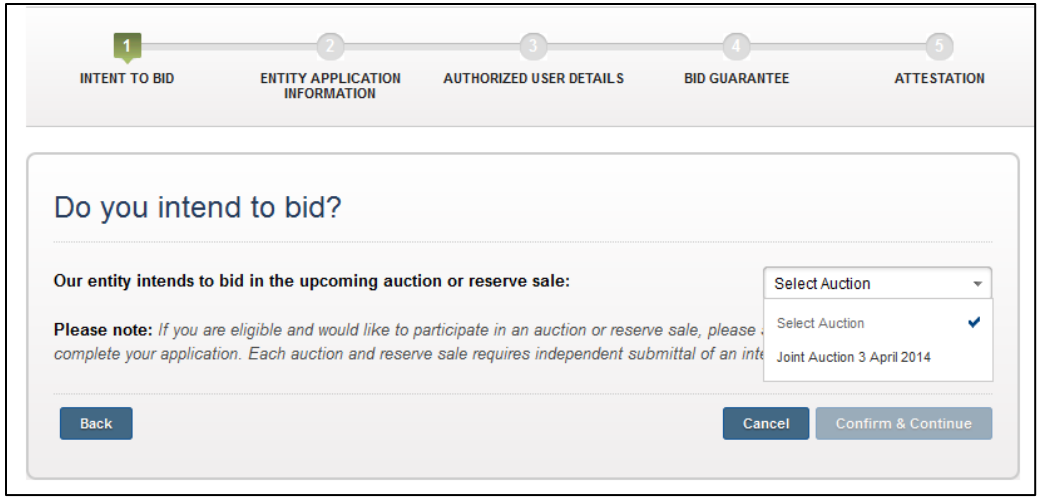


Auction Participation Process

Step 1: Auction Application

Step 1a: Confirm the event in which the entity intends to bid

- The entity representative (PAR or an AAR) will select the appropriate auction event from the drop down menu and select the “Confirm & Continue” button.

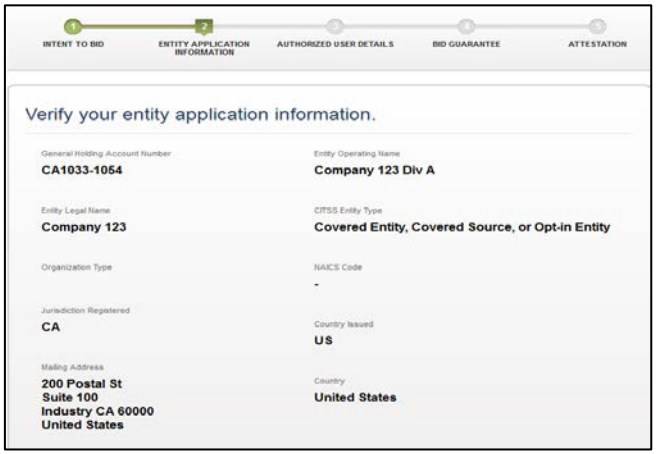


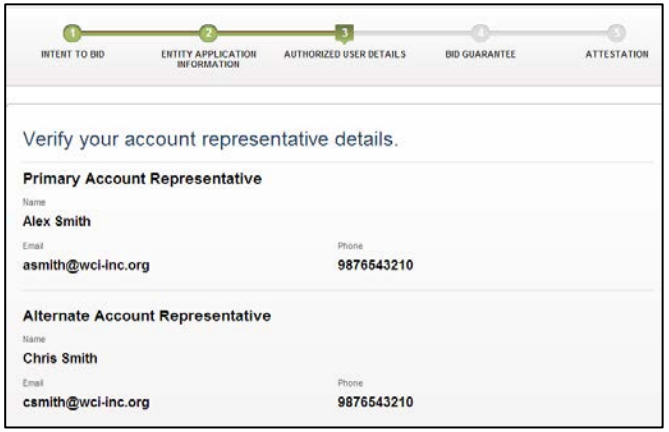
Auction Participation Process

Step 1: Auction Application

Step 1b: Verify entity and account representative information

- Entity and account representative details will be pre-populated from CITSS account information. The representative will select Confirm and Continue to verify the accuracy of the data.





Auction Participation Process

Step 1: Auction Application

Step 1b: Verify entity and account representative information

- If changes are needed to the auction application information displayed in the Auction Platform, changes must first be completed in CITSS.
  - To ensure information is accurately reflected in the Auction Platform, all changes must be made in CITSS and approved prior to submitting the application or confirmation of intent to bid.
  - Some changes, such as changes to entity name or account representatives, will require the submittal of additional hard copy documentation and/or approval by the Jurisdiction Registrar.

Auction Participation Process

Step 1: Auction Application

Step 1b: Verify entity and account representative information

- Some changes to auction application, such as updates to corporate association information, are completed only through the submittal of hard copy forms.
  - All changes must be submitted by the deadlines provided in the Auction Notice.
  - Refer to the CA Regulation or QC Regulation for specific details of the requirements for submitting changes to auction application information.
  - Attachment A to the Auction Notice contains additional information on requesting changes to auction application information.

Auction Participation Process

Step 1: Auction Application

Step 1c: Provide information on form and currency of bid guarantee to be submitted, and return instructions

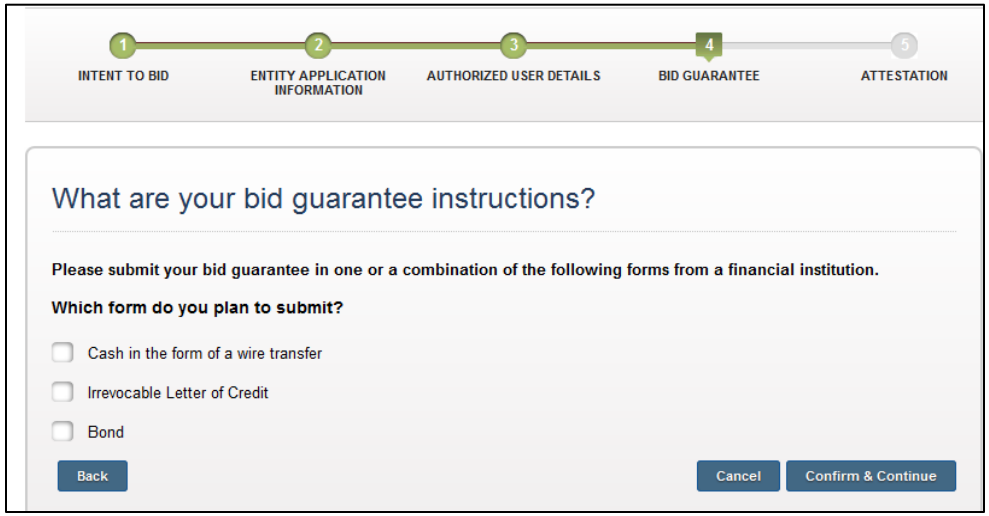
- CA Entities must submit bid guarantees in USD in one or a combination of the following forms:
  - Cash in the form of wire transfer.
  - An irrevocable letter of credit (LOC) from a financial institution with a United States (U.S.) banking license.
  - A bond issued by a financial institution with a U.S. banking license.
  - A Surety Bond issued by an institution named in the U.S. Treasury Department list of "Surety Companies Acceptable in Federal Bonds."

Auction Participation Process

Step 1: Auction Application

Step 1c: Provide information on form and currency of bid guarantee to be submitted, and return instructions

Auction Platform Example: Form of Bid Guarantee

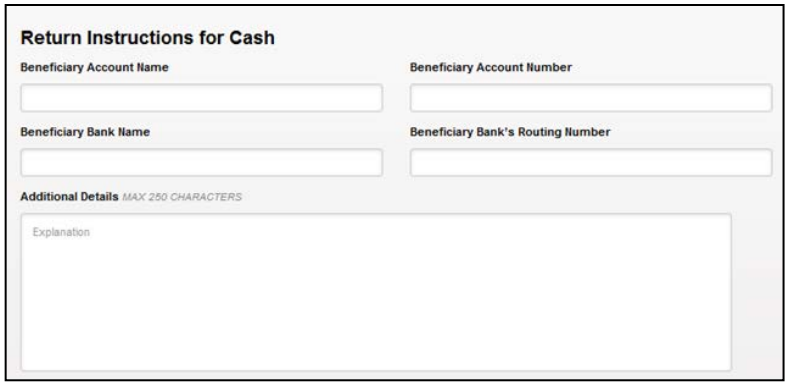


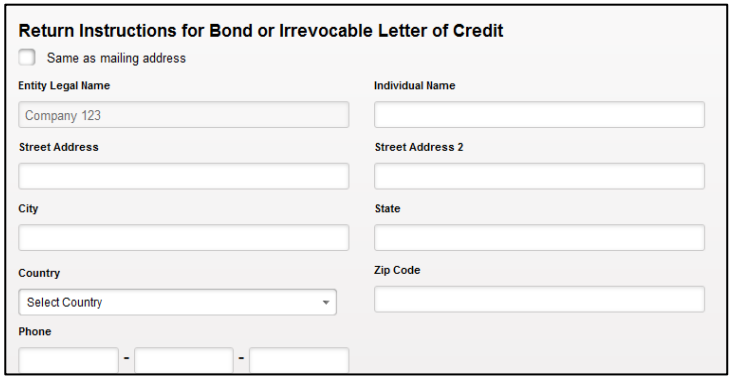
Auction Participation Process

Step 1: Auction Application

Step 1c: Provide information on form and currency of bid guarantee to be submitted, and return instructions

- Once the bid guarantee selection is made, forms for return instructions will be automatically generated in the Auction Platform.





Note: As return delivery for physical bid guarantee instruments requires a signature to ensure security, a PO Box cannot be entered for the return address.

Auction Participation Process

Step 1: Auction Application

Step 1d: Complete the Attestation response and submit the auction application

- The final step of the application process in the Auction Platform is to complete the Attestation response and submit the application.
  - Attestation responses are jurisdiction specific.
- The PAR or an AAR of each CA entity must complete the required response in the Auction Platform to certify if the entity has provided to ARB the Attestation required by section 95912(d)(4)(E).
  - A "No" answer indicates the entity has no updates to the disclosures since the most recent auction application attestation was submitted.
    - If an auction applicant has previously submitted a disclosure form, and has no further updates to its most recently submitted form, the auction applicant may select "No" in the Auction Platform to satisfy the Attestation requirement.
  - A "Yes" answer indicates that the entity will submit or update the required disclosures to ARB by the deadline to apply for the auction.

Auction Participation Process

Step 1: Auction Application

Step 1d: Complete the Attestation response and submit the auction application

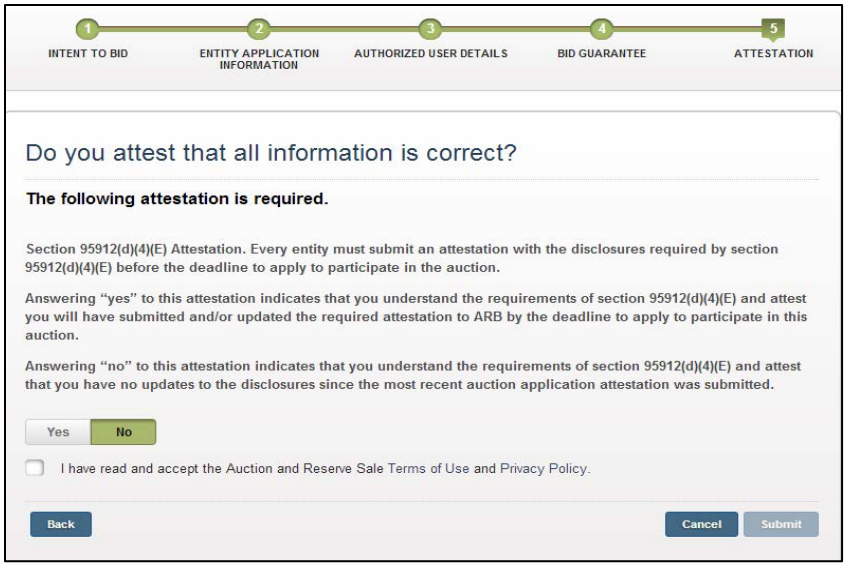
- If disclosures or updates to previously submitted information are required by a CA entity, the Auction Attestation Disclosure Form, available on the ARB Auction Information Webpage, may be used to submit the required information.
  - Any new disclosures or updates must be submitted prior to the close of the application period.
- Representatives of CA entities should refer to Attachment A to this Auction Notice, the California Regulation, and the ARB Auction Information webpage for further information regarding the Attestation requirements.

Auction Participation Process

Step 1: Auction Application

Step 1d: Complete the Attestation response and submit the auction application

Auction Platform Example (CA Entity): Attestation & Submit Application

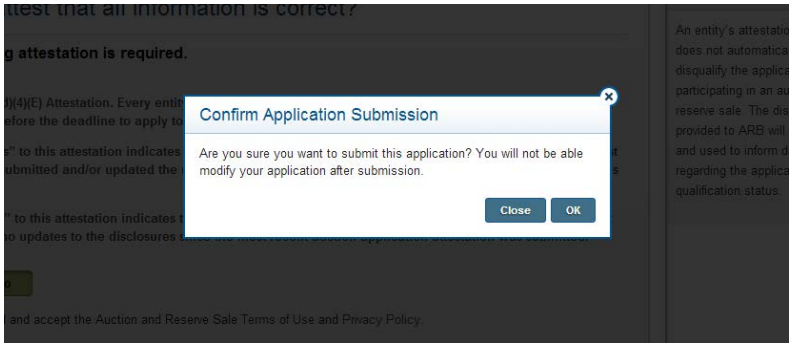


Auction Participation Process

Step 1: Auction Application

Step 1d: Complete the Attestation response and submit the auction application

- After selecting a response to the Attestation step, the representative must agree to the Auction Terms of Use and Privacy Policy, and can then submit the application.
- After selecting the “Submit” button, the representative will be asked to confirm the submission by selecting “ok” to complete this action .

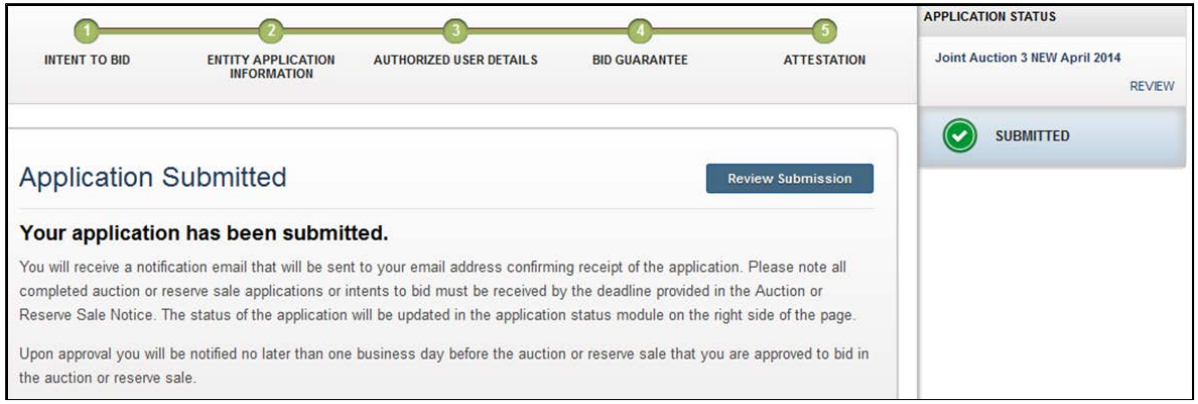


Auction Participation Process

Step 1: Auction Application

Step 1d: Complete the Attestation response and submit the auction application

- Once the PAR or an AAR has submitted the application, the Application Status bar on the right hand side of the Auction Page will display as “Submitted” with a green checkmark.
  - PAR and AAR(s) will receive an email confirming submittal of the entity’s application.



Auction Participation Process

Step 2: Submit a Bid Guarantee

- After submitting an auction application, entities must submit a bid guarantee by the deadline date and time provided in the Auction Notice.
- To submit a bid guarantee, an entity must complete the following steps:
  - **Step 2a:** Receive notice that a Financial Services Account has been established or verified
  - **Step 2b:** Download Financial Services Delivery Instructions
  - **Step 2c:** Submit a bid guarantee to Financial Services Administrator
- The Financial Services Administrator will receive and maintain all bid guarantees submitted as financial security.

Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2a: Receive notice that a Financial Services Account has been established or verified

- Once an auction application or confirmation of intent to bid has been submitted, the Financial Services Administrator will complete the process to establish (first time participant) or verify (previous participant) the entity's Financial Services Account.
  - A Financial Services Account is established and maintained by the Financial Services Administrator for the purpose of facilitating the bid guarantee and financial settlement processes.
- To establish the entity's Financial Services Account , additional information may be requested by the Financial Services Administrator.

Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2a: Receive notice that a Financial Services Account has been established or verified

- Once the entity's Financial Services Account has been established or verified:
  - An email from the auctionsupport@markit.com will be sent to entity representatives when a Financial Services Account has been established or verified, including directions to download the entity's Financial Services Delivery Instructions.
  - An entity representative can log in to the Auction Platform to download the Financial Services Delivery Instructions.

Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2b: Download Financial Services Delivery Instructions

- The Financial Services Delivery Instructions will include all the information needed to submit a bid guarantee, either cash or physical bid guarantee instrument, including the:
  - Financial Services Account Name;
  - Financial Services Account Number;
  - Wiring instructions for submitting cash by wire transfer; and
  - Mailing instructions for physical bid guarantee instruments.
- Additional details on submitting a bid guarantee are provided in Attachment A to the Auction Notice.

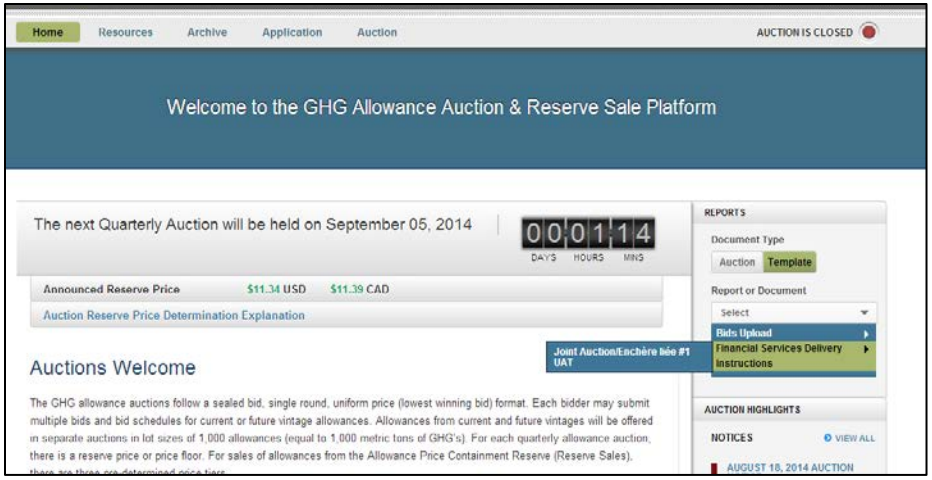
Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2b: Download Financial Services Delivery Instructions

- To download an entity's Financial Services Delivery Instructions, the PAR or an AAR must log in to the Auction Platform, access the Reports Module - Templates, and select the appropriate event.

Auction Platform Example:



Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2c: Submit a bid guarantee to Financial Services Administrator

- To submit a bid guarantee, an amount must be determined.
  - The amount of the bid guarantee provided to the Financial Services Administrator will be used to set bidding limitations in the auction.
  - The amount of the bid guarantee must be greater than or equal to the maximum value of the bids to be submitted.
    - A single bid guarantee is submitted to cover bids in both the Current and Advance Auction.
  - For QC entities participating in CAD, the value of the bid guarantee and the bids submitted during the auction will be evaluated in USD based on the Auction Exchange Rate.
    - Examples of how to determine a bid guarantee amount are provided in Attachment B to the Auction Notice.

Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2c: Submit a bid guarantee to Financial Services Administrator

Submitting Cash Bid Guarantee

- Cash wire transfers must be received by the deadline date and time for receipt of bid guarantees as listed in the Auction Notice.
- Instructions on how to submit a cash bid guarantee through wire transfer are provided in the entity's Financial Services Delivery Instructions.
  - Wire transfer instructions are specific to the location of the originating bank, whether international or located in the U.S., and the currency in which the entity is participating.
- Additional details are provided in Attachment A to the Auction Notice.

Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2c: Submit a bid guarantee to Financial Services Administrator

Submitting Physical Bid Guarantee Instruments

- 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 Notice.
- CA entities may submit the following forms of physical bid guarantee instruments:
  - An irrevocable letter of credit (LOC) from a financial institution with a 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 U.S. Treasury Department list of “Surety Companies Acceptable in Federal Bonds.”

Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2c: Submit a bid guarantee to Financial Services Administrator

Submitting Physical Bid Guarantee Instruments

- Required terms are provided in Attachment A to the Auction Notice.
- If submitting a physical bid guarantee instrument, entities are encouraged to submit a sample physical bid guarantee to the Financial Services Administrator for review.
- Entities are encouraged to submit bid guarantees in advance of the deadline to allow time for review and revision of bid guarantees if necessary.
- Complete and proper addressing is critical to ensure receipt of all physical bid guarantee instruments by the deadline date and time.

Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2c: Submit a bid guarantee to Financial Services Administrator

Bid Guarantee Revisions

- The Financial Services Administrator will evaluate the bid guarantee submitted and identify any amendments that are necessary to meet the requirements.
- If a submitted bid guarantee needs to be revised:
  - The entity would be notified by the Financial Services Administrator.
  - The entity would contact the institution issuing the document and request an amendment to their bid guarantee document.
  - All amendments **MUST** be completed and received by the Financial Services Administrator in advance of the bid guarantee submittal deadline.
- If an entity finds they need to revise a submitted bid guarantee, they should contact the Financial Services Administrator.

Auction Participation Process

Step 2: Submit a Bid Guarantee

Step 2c: Submit a bid guarantee to Financial Services Administrator

- Final bid guarantees must be received by the Financial Services Administrator in final form by the deadline date and time as listed in the Auction Notice.
  - An entity is responsible to ensure proper addressing of a physical bid guarantee and complete wiring instructions for a cash wire transfer.
  - Entities should confirm receipt of bid guarantees with the Financial Services Administrator.
  - Emailed, scanned, and PDF versions of a bid guarantee or a bid guarantee amendment will not be accepted.
  - Once an entity's bid guarantee is received, reviewed, and accepted by the Financial Services Administrator, the PAR and all AARs for the entity will receive an email notification.
  - If a final bid guarantee is not received by the Financial Services Administrator by the deadline, the auction application will be rejected.

Auction Participation Process

Step 3: Receive Notice of Entity's Approval to Participate

- ARB and MDDELCC will approve or reject auction applicants for auction participation. The PAR and all AARs for each entity will receive an email confirming approval or denial to participate in the auction.
  - An email will be sent within two business days of the scheduled auction date indicating an entity's auction participation has been approved or denied.

Auction Participation Process

Step 4: Participate in the Auction

- The bidding window can be accessed by clicking on the Auction Tab on the top banner of the Auction Platform.
- Auction participants will be able to see whether the auction bidding window is open or closed on the right hand side of the top banner of the Auction Platform.
  - A green light signifies the auction bidding window is open.
  - A red light signifies that the auction bidding window is closed.
- While the auction bidding window is open, entities may submit bids for the Current Auction, the Advance Auction, or both.

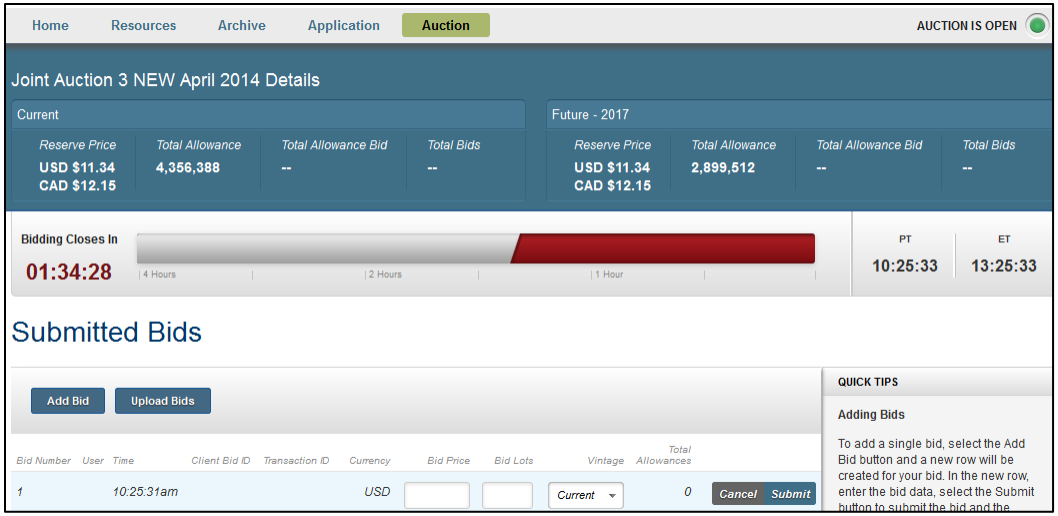
Auction Bidding

- Bidders may submit bids manually or upload a bid schedule using the Bid Upload Template provided through the Auction Platform.
- For each bid the following information must be entered:
  - Bid Price in whole cents
  - Number of Bid Lots (1 lot = 1,000 allowances)
  - Instrument Vintage (e.g. Current or 2018)
  - Currency
    - **CA entities:** bids must be entered in USD.
    - **QC entities**: bids must be entered in the same currency as selected during the auction application process (USD or CAD).

Auction Bidding

Auction Platform Example: Manual Bid Entry

- To manually submit a single bid, select the “Add Bid” button.
- Submitted bids can be manually revised or withdrawn during the 3-hour bidding window. After the bidding window closes, no further changes to bids are permissible.



Auction Bidding

Auction Platform Example: Bid Schedule Upload

- In addition to manual bid entry, multiple bids may also be submitted in a bid schedule upload process.
- A bid schedule is uploaded using a pre-formatted spreadsheet available in the Reports Module – Templates section of the Auction Platform.
  - For each auction, a unique pre-formatted spreadsheet is available for download from the Auction Platform upon the opening of the auction application period.

	A	B	C	D	E
1		Auction and Reserve Sale Platform			
2		Auction Bid Upload Template			
3					
4	**Currency:**	Select the currency in which you would like to bid from the drop down.			
5	**Bid Price:**	Enter the price in whole dollars and whole cents.			
6	**Bid Lots:**	Enter the number of lots. Each lot is 1,000 allowances.			
7	**Bid Allowances:**	Total Bid Allowances is calculated as Bid Lots multiplied by 1,000.			
8	**Instrument Vintage:**	Select the allowance vintage from the drop down.			
9					
10	**Currency**	**Bid Price**	**Bid Lots**	**Bid Allowances**	**Instrument Vintage**
11				0	
12				0	
13				0	
14				0	

Auction Bidding

Auction Platform Example: Bid Schedule Upload Process

- The Upload Bids function is completed in 3 steps:
  - **Step 1:** Select Document – Browse and Select Excel spreadsheet with bids
  - **Step 2:** Process Spreadsheet – Upload Bids from the spreadsheet for submittal

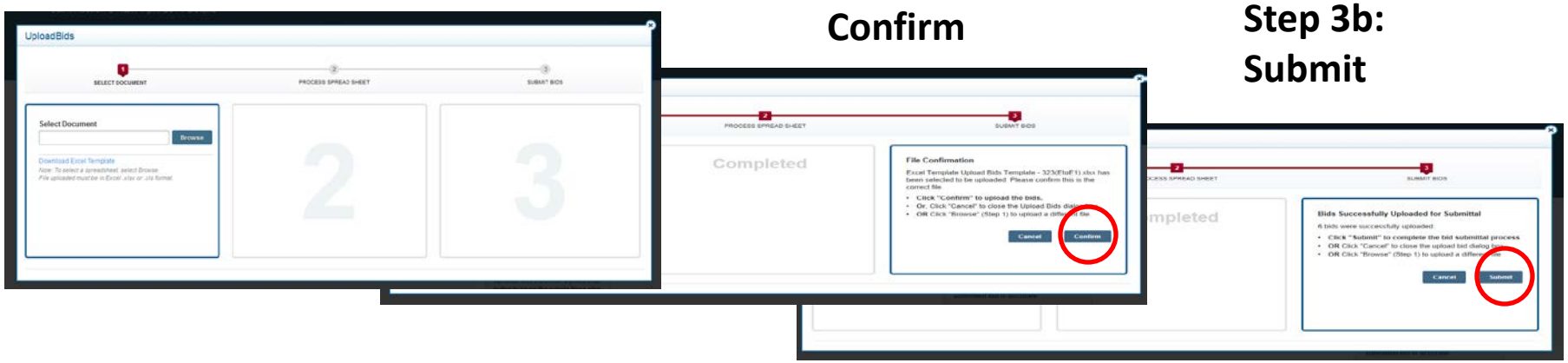
    Note: This step is automatically completed by the Auction Platform.
  - **Step 3:** Confirm and Submit Bids – **Step 3a)** Confirm the spreadsheet and **Step 3b)** Submit the bids uploaded from the selected spreadsheet

Step 1: Browse & Select

(Step 2: Process – completes automatically)

Step 3a: Confirm

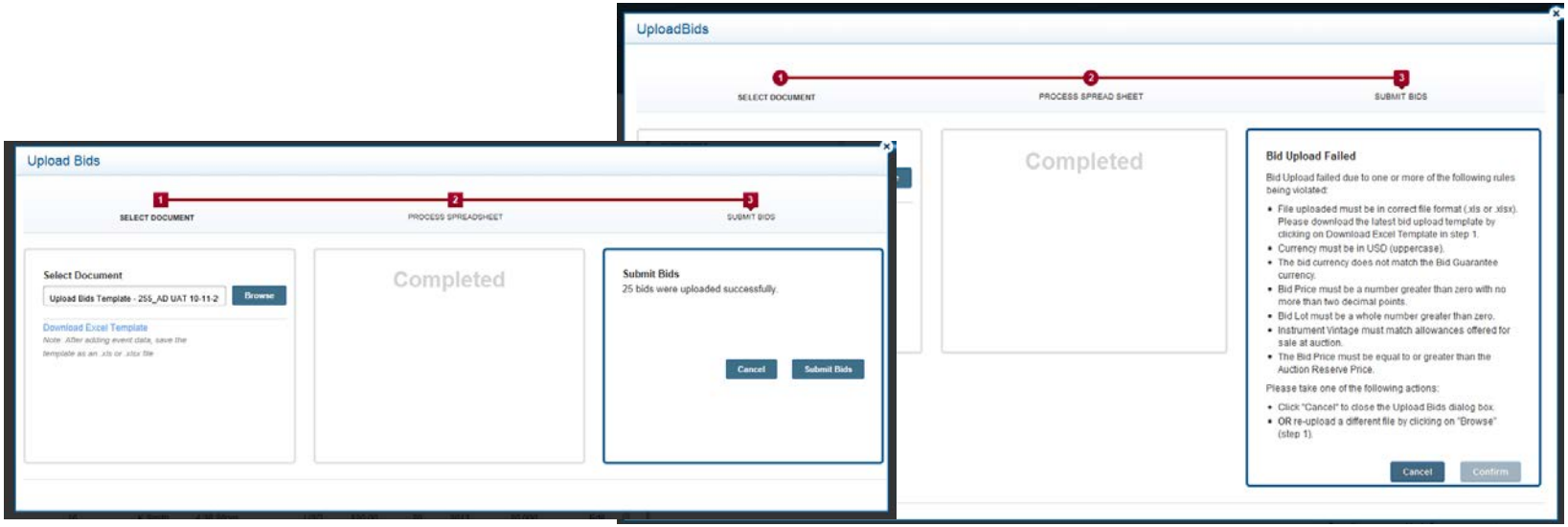
Step 3b: Submit



Auction Bidding

Auction Platform Example: "Bid Schedule Upload Confirmed"

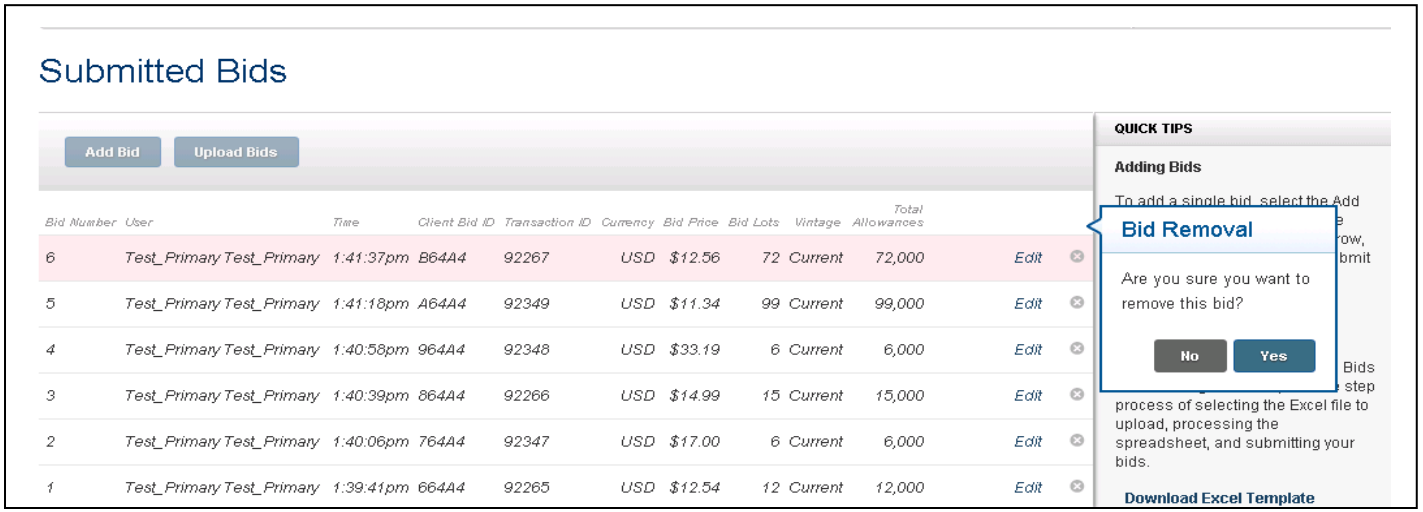
- The Auction Platform will confirm a successful or failed bid schedule upload.
- Multiple Bid Upload Templates will be accepted by the Auction Platform, but each schedule must be uploaded one at a time.



Auction Bidding

Auction Platform Example: Editing or Deleting Bids

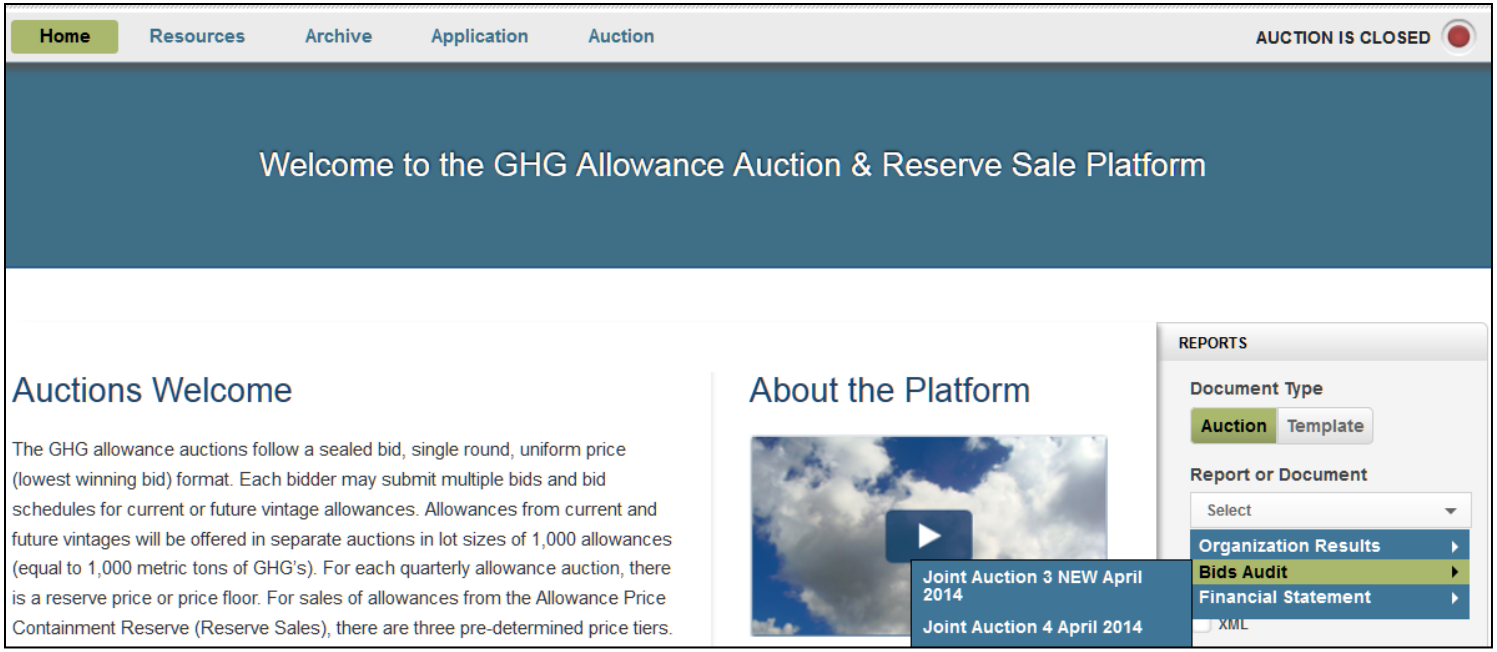
- During the bidding window a bid may be deleted or edited.
  - To delete, click the ⊗ and then click “Yes” to confirm the bid removal.
  - To edit, click “Edit” and make required changes. Changes are confirmed by clicking “Submit,” similar to the process of initial entry of the bid.



Auction Bidding

Confirmation of Bid Submission

- Bidders can access a Bids Audit Report from the Auction Platform's Reports Module to confirm bids submitted and edited.



Auction Bidding

Example Bids Audit Report

- The example Bids Audit Report on this slide is based on the manual entry of three auction bids by an entity's representatives and one bid edit.

1	Date	1/6/2015										
2	Auction	Auction Name										
3												
4	Update Type	Update Time	Update By	Account Holding Number	Client Bid ID	Transaction ID	Bid Submission Time	Currency	Bid Price	Bid Lots	Vintage	Total Allowances
5	Created	18:05:18 GMT	asmith@companya.org	CAXXXX-XXXX	076	1163	18:05:18 GMT	USD	16.00	20	Current	20,000
6	Created	18:30:11 GMT	asmith@companya.org	CAXXXX-XXXX	DF6	1189	18:30:11 GMT	USD	16.11	25	Current	25,000
7	Updated	18:33:44 GMT	asmith@companya.org	CAXXXX-XXXX	DF6	1196	18:30:11 GMT	USD	15.11	25	Current	25,000
8	Created	18:30:11 GMT	asmith@companya.org	CAXXXX-XXXX	EF6	1189	18:30:11 GMT	USD	16.12	25	2018	25,000

Bidding Limitations

- The Auction Reserve Price effective during the joint auction is determined the business day prior to the auction.
  - Bids submitted with a bid price below the Auction Reserve Price will not be accepted.
- Auction bids are rejected in bundles of 1,000 allowances, if bids:
  - Exceed the entity's purchase limit;
  - Exceed the entity's holding limit; or
  - Exceed the value of the bid guarantee at the settlement price.
    - An entity's bid guarantee limitation is assessed at all potential settlement prices.
- Rejected bid quantities are not considered in determining the settlement price for an auction.
- Examples of how bidding limits are applied are provided in Attachment B to the Auction Notice.

Bidding Limitations: Purchase Limits

Example Purchase Limit: CA Entities

- Purchase limits are calculated separately for the Current Auction and the Advance Auction.
- To determine an entity's specific purchase limit for an auction, multiply the entity category's purchase limit by the total amount of allowances available for sale in that auction.
- **Example Purchase Limit**
  - If the Total Number of Allowances for Sale are:
    - Current Auction = 3,900,000 allowances
    - Advance Auction = 1,700,000 allowances

CA Entity Category		Current Auction Purchase Limit	Advance Auction Purchase Limit
Covered Entity or Opt-In Covered Entity, (includes Electrical Distribution Utilities)	25%	975,000	425,000
General Market Participant- (Organization or Individual)	4%	156,000	68,000

Bidding Limitations: Holding Limits

- 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 does not apply to allowances held in the Limited Use Holding Account.
- There are separate holding limits applied to the Current and Advance Auctions.
- The 2015 Holding Limit is 13,370,000 allowances.

Bidding Limitations: Holding Limit

Holding Limit with Limited Exemption

- Covered entities may exempt a limited number of current or prior vintage allowances from the current vintage holding limit calculation by transferring them into their Compliance Account.
- The limited exemption is increased each year by the amount of emissions contained in the entity's verified emissions report and is decreased at the end of the year following the close of a compliance period, after the entity has completed its surrender obligation for the compliance period.
- Entities can hold more allowances in their Compliance Account than allowed under the limited exemption, but any current or prior vintage allowances in excess of the limited exemption will count towards the entity's current vintage holding limit.
- Examples of how the limited exemption is applied are provided in Attachment B to the Auction Notice.

Bidding Limitations

Management of Purchase Limits and Holding Limits

- ARB and MDDELCC provide the Auction Administrator the total number of allowances that may be successfully bid without exceeding the purchase limit and holding limit for the Current Auction and Advance Auction for each auction participant.
  - Data is transferred to the Auction Administrator the day prior to an auction based on balances in CITSS accounts 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 reflect the account balances in CITSS the day before the auction.
  - CITSS account holders are responsible to ensure that there will be no holding limit violation once allowances are transferred into CITSS accounts after financial settlement is complete.

Bidding Limitations: Bid Guarantee

- The bid guarantee submitted must be greater than or equal to the maximum value of the bids submitted.
  - For QC entities participating in CAD, the bid guarantee and the maximum value of bids submitted are evaluated in USD based on the Auction Exchange Rate.
- The value of a set of bids equals the quantity of bid allowances submitted at or above a bid price times that price.
  - The value of the set of bids is calculated at each bid price at which the bidder submits a bid.
  - The maximum value of a set of bids is the highest value of a set of bids calculated at each price at which the bidder submits a bid.
- Examples of how the bid guarantee limitation is applied are provided in Attachment B to the Auction Notice.

Bidding Limitations: Bid Guarantee

- Submitted bids that contain bid quantities with a value in excess of the bid guarantee at the settlement price will be rejected, in bundles of 1,000 allowances, until the limit is met.
  - Only that portion of the bid quantity that exceeds the limit will be rejected, not the entire bid quantity.
- Bidders submit a single bid guarantee for both the Current Auction and Advance Auction.
  - Once the Current Auction settlement price has been determined, the entity's total cost for allowances awarded in the Current Auction will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to the Advance Auction.

Auction Participant Training Agenda

❖ Section III: Auction Results & Financial Settlement

- Settlement Price & Bid Fulfillment Determination
- Auction Conduct
- Market Monitoring
- Auction Results
- Financial Settlement
- Transfer of Allowances into CITSS Accounts
- Contact Information

Settlement Price & Bid Fulfillment Determination

- Bid evaluation and settlement price determination for the Current Auction and Advance Auction are conducted separately, in consecutive order.
- 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.
  - 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 and then converted to a CAD value based on the Auction Exchange Rate so the entity can complete financial settlement in CAD.

Settlement Price & Bid Fulfillment Determination

- The settlement price determination process 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.
- If total qualified allowances bid exceeds total allowances offered at the settlement price, a tiebreaker process is used.

Settlement Price & Bid Fulfillment Determination

Tiebreaker Process

- The tiebreaker process is used during the settlement price determination if the quantity of allowances bid for at the settlement price exceeds the remaining allowances available for sale.
  - Each entity's share is determined based on the share of total allowances that can be awarded to an entity at the settlement price.
  - Number of allowances awarded is determined as the entity's share multiplied by the allowances remaining-to be sold (rounded down to nearest whole allowance).
    - If there are allowances remaining as a result of rounding down, those allowances are awarded to entities by assigning a random number and distributing from the lowest to highest number.
  - Further descriptions of the tiebreaker process are provided in Attachment B to the Auction Notice.

Auction Conduct

- Pursuant to Section 95914(c) of the California Regulation and in Article 51 of the Québec Regulation, any CA or QC registered entity shall not release any confidential information related to its auction participation, including:
  - Intent to participate, or not participate, at auction, auction approval status, maintenance of continued auction approval;
  - Bidding strategy;
  - Bid price or bid quantity information;
  - Information on the bid guarantee provided to the Financial Services Administrator.

Auction Conduct

- 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 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.
- All auction applicants are required to inform their respective jurisdictions of the retention of an auction advisor or consultant, as specified in Attachment A to the Auction Notice.
- A consultant or advisor retained by a CA entity must provide ARB with information as specified in the Regulation and described in the Auction Notice at least fifteen (15) days prior to an auction.

Market Monitoring

- ARB staff, MDDELCC staff, and the Market Monitor actively monitor the GHG allowance auctions, and provide ongoing monitoring of GHG allowance holdings and market activity.
- The Market Monitor reviews bidding activity and works with ARB and MDDELCC to identify any bidding or trends of concern that may indicate manipulative or anti-competitive bidding behavior.
- Any fraudulent, manipulative, collusive, or noncompetitive behavior may be investigated and prosecuted in accordance with all applicable laws and regulations.
- ARB and MDDELCC staff provide final auction monitoring results to the Executive Officer and the Environment Minister.

Auction Results

- The Joint Auction Summary Results Report will be posted on the ARB and MDDELCC websites five (5) business days after the auction is conducted.
  - The date of posting is provided in the Auction Notice.
  - The posting is anticipated to occur at 12:00 PM (Noon) PT / 3:00 PM ET.
  - In the event of a delay, a message will be posted on the jurisdictions' websites providing the new time for the release of the auction results.
- The Joint Auction Summary Results Report provides general results and statistics of the auction.
- The Joint Auction Summary Results Report will be available in English on the ARB website and English and French on the MDDELCC website.

Auction Results

Joint Auction Summary Results Report

- Only qualified bid statistics will be provided.
- The Joint Auction Summary Results Report will include the following for both the Current and Advance Auctions:
  - Number of allowances available at auction
  - Number of allowances sold at auction
  - List of qualified bidders
  - Ratio of total quantity of qualified allowances bid to total allowances available for sale
  - Percent of allowances won by compliance entities (this category includes opt-in entities)
  - Auction Settlement Price
  - Auction Reserve Price
  - Herfindahl-Hirschman Index (HHI)

Auction Results

Post Joint Auction Public Proceeds Report

- California and Québec will each release separate Post Auction Public Proceeds Reports, which will provide the final amount of jurisdiction proceeds.
- Refer to the Auction Schedule provided in the Auction Notice for the expected date that the Post Joint Auction Public Proceeds Report will be available.

Auction Results

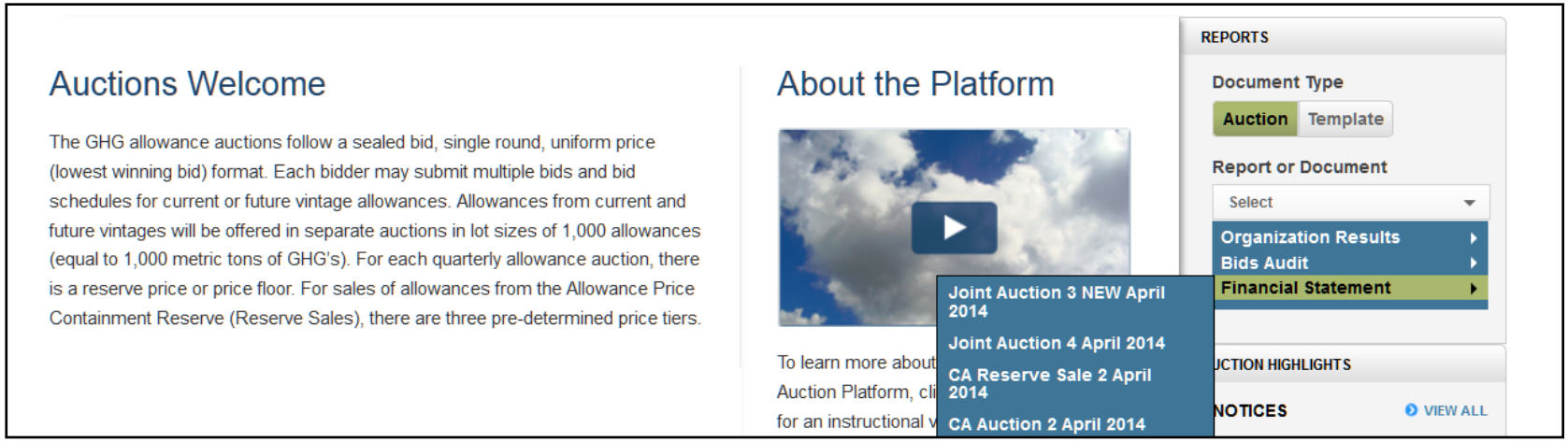
Availability of Entity Results

- Following the posting of the Joint Auction Summary Results Report, the jurisdictions will certify the auction in the Auction Platform.
  - Representatives of qualified bidders will receive email notification that entity results are available in the Auction Platform.
- Upon certification, representatives of qualified bidders will be able to view and download the entity's auction results in the entity's Organization Results Report available in the Auction Platform.
  - Additionally, a Financial Statement is available for download in the Auction Platform which is the entity's financial settlement invoice.
- Availability of the Organization Results Report upon certification of the auction represents the beginning of the seven (7) day period in which an auction participant is required to complete payment to the Financial Services Administrator of the amount due for allowances awarded.

Financial Settlement

Auction Platform Example: Organization Results Report & Financial Statement

- Following certification of an auction, bidders download their Organization Results Report and Financial Statement from the Auction Platform's Reports module.



Financial Settlement

Organization Results Report

The Organization Results Report for an entity includes:

- 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, or bond)
  - Amount Due to Financial Services Administrator (if any)
  - Amount Due By Date (if an amount is due)
- Wiring Instructions for Submitting Payment
- Bid Information

Financial Settlement

- Bidders must download their Organization Results Report or Financial Statement to determine any amounts owed.
- For those entities that submitted cash bid guarantees, the Financial Services Administrator will use the cash submitted to settle for any amounts owed.
- Bidders that submitted a physical bid guarantee instrument(s) must submit cash by wire transfer as financial settlement for any amounts owed, no later than 7 days after certification of an auction.
  - Deadline listed in the Auction Notice.
- No bank/cashiers checks will be accepted.
- The Financial Services Administrator will draw on physical bid guarantees for entities that fail to submit payment for amounts owed by the deadline provided in the Auction Notice.

Financial Settlement

Bid Guarantee Return

- All bid guarantees for unsuccessful auction applicants or bidders, regardless of type, will be returned within approximately 3 business days after the auction is certified.
- For winning bidders that submitted a cash bid guarantee, the Financial Services Administrator will return unused cash through wire transfer based on the return instructions specified during the application process.
- For winning bidders that submitted a physical bid guarantee, following receipt of all amounts owed, the Financial Services Administrator will return physical bid guarantee instruments through FedEx or DHL delivery based on the return instructions specified during the application process.

Transfer of Allowances into CITSS Accounts

- Allowances are transferred to successful bidders following completion of financial settlement and distribution of auction proceeds to the jurisdictions and consigning entities.
  - Each jurisdiction conducts separate transfers for the allowances offered from the jurisdiction.
- The expected date for allowance transfers is provided in the Auction Schedule in the Auction Notice.
- Additional information on the transfer of allowances into CITSS Accounts is available in Attachment A of the Auction Notice.

Contact Information

Auction and Financial Services Administration

- **Auction Administrator:** Markit North America, Inc.
  - Email support: auctionsupport@markit.com
  - Call (877) 762-7548 from 8:00 AM to 6:00 PM PT
- **Financial Services Administrator:** Deutsche Bank National Trust Company
  - Email support: db.wcisupport@db.com
  - Call:
    - (212) 250-2885 from 8:00 AM to 5:00 PM ET, or
    - (714) 247-6054 from 8:00 AM to 5:00 PM PT

Contact Information

- **CITSS Registration and Accounts:**
  - Please contact CITSS Help Desk:
    - Email: help@wci-citss.org
    - Call toll-free: 1-866-682-7561
- **CA and QC Cap-and-Trade Programs:**
  - **California entities**:
    - Call: (916) 322-2037
    - Air Resources Board Cap-and-Trade Program webpage: http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm
    - Auction Information webpage: http://www.arb.ca.gov/auction
  - **Québec entities**:
    - Please contact the MDDELCC at: 1-800-561-1616 option 5
    - http://www.mddelcc.gouv.qc.ca/changements/carbone/documentation-en.htm