

California Cap-and-Trade Program Guidance for Allowance Consignment to Auction

Background

The Cap-and-Trade Regulation (Regulation) provides that allowances are allocated annually to each eligible electrical distribution utility or natural gas supplier (consigning entity). The California Air Resources Board (CARB) will transfer allowances to the Compliance Instrument Tracking System Service (CITSS) Limited Use Holding Account (LUHA) created for each consigning entity. A consigning entity must offer for sale at auction all allowances that have been placed in the LUHA.

Allowance Consignment Requirements

In October each year, CARB will transfer allowances from the budget year corresponding to the subsequent calendar year to the entity's LUHA. A consigning entity consigns these allowances to auctions held the following calendar year by transferring the allowances from its LUHA to the California Auction Holding Account.

There are four scheduled allowance auctions each year, held in February, May, August, and November. Section 95910(d) of the Regulation provides that an entity may consign allowances for sale at an auction only from a LUHA and that allowance consignment to auction through a transfer to the Auction Holding Account must be completed at least 75 days prior to an auction for the allowances to be offered for sale at that auction. The consignment deadlines for the auctions are provided in the Annual Auction Reserve Price Notice posted in early December each year for the following year.

Consignment Transfers in CITSS

Transfers of allowances from a LUHA to the Auction Holding Account that are completed in CITSS between the last auction consignment deadline and the close of business (11:59 PM Eastern Time) on the day of the current consignment deadline will be consigned to the next scheduled quarterly auction. Allowances transferred in CITSS cannot be designated for consignment to a later auction.

CITSS transfers from a LUHA to the Auction Holding Account are completed in two steps: proposal and approval. The Primary Account Representative (PAR) or one of the Alternate Account Representatives (AARs) of the consigning entity must propose the transfer request in CITSS by following the steps listed below.

1. Select the "View" button (right side) for the Limited Use Holding Account on the "My Accounts" pane of the CITSS Home Page.
2. Select the "Initiate Transfer" button for the allowance vintage to be consigned in the Holdings tab to access the Propose Consignment Transfer: Limited Use Holding Account page.
3. Follow the instructions on the page to propose the consignment transfer.

A second account representative (PAR or AAR) of the consigning entity must log into CITSS and select the same entity account to approve the proposed transfer request within two days of the proposal or the transfer request will expire in CITSS. Follow the steps listed below to approve the transfer.

1. Select the Transfer ID of the pending consignment transfer in the “Pending Transfers” pane of the CITSS Home Page to access the Compliance Instrument Transfer Detail page.
2. Follow the instructions on the page to approve or deny the proposed transfer.

A transfer is completed only if it is approved prior to expiring. CITSS transfers that have expired will require a new transfer proposal and approval prior to the consignment deadline in order to consign allowances to the next scheduled quarterly auction.

Consigning allowances to the Auction Holding Account is a permanent and irreversible action. The consignment will be complete and final when the transfer is approved by the second account representative of the transferring entity.

For additional information on completing a consignment transfer, please refer to CITSS User Guide Volume III: Conducting Transfers in CITSS on the CARB CITSS webpage at <https://www.arb.ca.gov/citss>.

Provide or Confirm Wiring Instructions in CITSS

Every consigning entity is required to provide wiring instructions or confirm existing wiring instructions in CITSS for the payment of auction proceeds every time allowances are consigned to auction. Entities provide or confirm consignment wiring instructions by following the steps listed below.

1. Select the “View” button (right side) for the Limited Use Holding Account on the “My Accounts” pane of the CITSS Home Page.
2. Select the “Wiring Instructions” button on the Limited Use Holding Account page to access the Wiring Instructions Detail page.
3. To propose new wiring instructions, select the “Edit” button on the top right portion of the Wiring Instructions Detail page.
 - a. To verify proposed wiring instructions, a second account representative must log into CITSS, select the same entity account, access the Wiring Instructions Detail page, and complete the “Verify Wiring Instructions” pane.
4. To confirm existing wiring instructions, select the “Confirm” button in the “Existing Fedwire Wiring Instructions” pane on the Wiring Instructions Detail page.

Account representatives will be prompted to indicate whether wiring instructions are current or require an update when a consignment transfer is proposed and again when the proposed transfer is approved. If the representatives indicate that the instructions are accurate, the Financial Services Administrator (FSA) will be notified and no further action is required by the representatives. If the representatives indicate that the instructions are not accurate, they will be prompted to update the information prior to the

auction. The consignment transfer will be completed upon approval, regardless of the status of the wiring instructions.

Allowances consigned to auction that remain unsold at auction will be held in the Auction Holding Account and offered in the next auction. If an entity consigned allowances to a previous auction that remain unsold and the entity has not consigned additional allowances to the next scheduled quarterly auction, that entity is required to confirm existing wiring instructions or provide new wiring instructions in CITSS following the steps outlined above. Wiring instructions should be confirmed or provided no later than the date the auction is held as listed in the Auction Schedule in the Auction Notice.

For additional information on providing or confirming wiring instructions, please refer to User References CITSS Version 6.0: Auction Consignment Wiring Instructions User Reference available on the CARB CITSS webpage at <https://www.arb.ca.gov/citss>.

Auction Consignment and Participation

Consigning Only

If an entity is only consigning to an auction and has no intention of participating in that auction to purchase allowances, an auction application should not be submitted in CITSS. Entities that are consigning allowances to an auction but do not intend to apply to participate in the auction should still select the “Auction and Reserve Sale Information” box in CITSS no later than one day prior to the end of the application period for that auction. Selecting the “Auction and Reserve Sale Information” box in CITSS ensures that the entity’s current account representative contact information is sent to the FSA to conduct the consignment process.

Consigning and Participating in an Auction

An entity that consigns allowances for an auction that also wishes to apply to participate in the auction must complete all required actions to participate in the auction, including submitting an auction application or confirming an intent to bid in CITSS and submitting a bid guarantee. Additional information on the auction participation process is available on the CARB Auction Information webpage at <https://www.arb.ca.gov/auction>.

Additional Information

Additional information on the CARB Cap-and-Trade Program is available at <https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm> or by contacting CARB at (916) 324-3502.