

## 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 Air Resources Board (ARB) will transfer allowances to the Compliance Instrument Tracking System Service (CITSS) Limited Use Holding Account (LUHA) created for each consigning entity.

### Allowance Consignment Requirements

Each calendar year, a consigning entity must offer for sale at auction all allowances that have been placed in the LUHA that were issued from the budget year that corresponds to the current budget year. A consigning entity assigns these allowances to consignment by transferring the allowances from their LUHA to the California Auction Holding Account.

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.

There are four scheduled allowance auctions each year in February, May, August, and November. 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 successfully 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 in 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. A second account representative (PAR or AAR) of the consigning entity must approve the proposed transfer request within two days of the proposal or the transfer request will expire in CITSS. 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 when the transfer is approved by the second account representative of the transferring entity.

## Confirm Wiring Instructions in CITSS

Every consigning entity is required to confirm existing wiring instructions or provide new wiring instructions in CITSS for the payment of auction proceeds every time allowances are consigned to auction. Account representatives will be prompted to indicate if 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 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. 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 completing a consignment transfer in CITSS or the actions required to confirm wiring instructions or provide new wiring instructions in CITSS, please refer to the CITSS User Guides and User References available on the ARB CITSS webpage at [www.arb.ca.gov/citss](http://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 the Auction Platform. Entities that are consigning allowances to an auction that do not intend to participate as a bidder in the auction should still select the "Auction Participation" box in CITSS no later than one (1) day prior to the end of the application period for that auction. Selecting the Auction Participation box in CITSS ensures that the entity's current account representative contact information is sent to the Cap-and-Trade Program Financial Services Administrator to conduct the consignment process.

### Consigning and Participating in an Auction

An entity that consigns allowances for an auction that also wishes to participate as a bidder in the auction must complete all required actions to participate in the auction, including selecting the "Auction Participation" box in CITSS, submitting an auction application or confirming the intent to bid in the Auction Platform, and submitting a bid guarantee. The "Auction Participation" box must be selected no later than one (1) day prior to the end of the application period for the auction an entity wishes to participate in and it must remain selected throughout the auction until allowances are transferred and the auction is closed. Additional information on the auction participation process is available on the ARB Auction Information webpage at [www.arb.ca.gov/auction](http://www.arb.ca.gov/auction).

## **Additional Information**

Additional information may be obtained on the ARB Cap-and-Trade Program webpage at <http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm> or by contacting ARB at (916) 324-3502.