

CA Reserve Sale Participant Training Presentation

Presented By:

California Air Resources Board

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Reserve Sale Participant Training Agenda

❖ Section I: Overview

- Introduction
- Reserve Sale Summary
- General Reserve Sale Schedule
- Administrative Requirements

❖ Section II: Reserve Sale Participation & Bidding

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- Bidding Limitations

❖ Section III: Reserve Sale Results & Financial Settlement

- Purchase Determinations and Bid Fulfillment
- Reserve Sale Conduct
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- Reserve Sale Results
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Reserve Sale Participant Training Agenda

❖ Section I: Overview

- Introduction
- Reserve Sale Summary
 - Eligibility
 - Comparison of Auction and Reserve Sales
- General Reserve Sale Schedule
- Administrative Requirements
 - Compliance Instrument Tracking System Service (CITSS) Account
 - Select CITSS “Auction Participation” Box
 - Auction Platform Account

Introduction

- Reserve Sale Notices are posted 30 calendar days prior to each reserve sale.
- AB 32 requires California to reduce greenhouse gas emissions to 1990 levels by 2020.
- The Cap-and-Trade Regulation (“Regulation”) is a key element of California’s climate plan.
- The Regulation is designed to provide covered entities the flexibility to seek out and implement the lowest-cost options to reduce emissions.
- As part of the Cap-and-Trade Program, ARB holds Allowance Price Containment Reserve (APCR) sales (reserve sales) to allow market participants to acquire allowances directly from ARB.

Reserve Sale Summary

- Reserve Sale Notices are posted 30 calendar days prior to each reserve sale.
- The total number of APCR allowances that will be available for sale in each tier and the tier prices are provided in the Reserve Sale Notice posted prior to each event.
- 2015 Reserve Sale Tier Prices:
 - Tier 1 USD \$45.20
 - Tier 2 USD \$50.86
 - Tier 3 USD \$56.51
- Eligibility: Only California covered entities and opt-in covered entities are eligible to participate.

Comparison of Auctions and Reserve Sales

Auctions:

- Open to covered entities and opt-in covered entities, and voluntarily associated entities.
- Entities bid on allowances and pay the Settlement Price for each allowance awarded.
- Allowances awarded are transferred into an entity's General Holding Account.
- Bids are placed for either Current Vintage allowances or a specific future vintage.
- Application period is 30 days.

Reserve Sales:

- Open only to covered entities and opt-in covered entities.
- Entities purchase allowances from three fixed price tiers.
- Allowances awarded are transferred into an entity's Compliance Account.
- Allowances purchased are not associated with a particular vintage year.
- Application period is approximately 10 days.

General Reserve Sale Schedule

Activities	Reserve Sale Time Period	Time - Pacific Time (PT) / Eastern Time (ET)
Reserve Sale Notice released – Application period opens	30 days prior to reserve sale	12:00 PM PT (Noon) / 3:00 PM ET
Application period closes	20 days prior to reserve sale	11:59 PM PT / 2:59 AM ET
All bid guarantees due to Financial Services Administrator	12 days prior to reserve sale	No later than 3:00 PM PT / 6:00 PM ET
Reserve sale participants approved and PAR and AARs notified	2 days prior to reserve sale	No later than 5:00 PM PT / 8:00 PM ET
Reserve Sale held	Date provided in Reserve Sale Notice	Bidding window 10:00 AM – 1:00 PM PT / 1:00PM – 4:00 PM ET

General Reserve Sale Schedule

Activities	Reserve Sale Time Period	Time - Pacific Time (PT) / Eastern Time (ET)
Public Reserve Sale Results released	3 business days after reserve sale	12:00 (Noon) PM PT / 3:00 PM ET
Reserve Sale Results available to qualified bidders	3 business days after reserve sale	12:00 (Noon) PM PT / 3:00 PM ET
Financial settlement in cash due to Financial Services Administrator	7 days after notification of the availability of the financial settlement invoice	No later than 3:00 PM PT / 6:00 PM ET
Transfer of allowances into CITSS Compliance Accounts	8 business days after financial settlement is due	12:00 (Noon) PM PT / 3:00 PM ET
Earliest date for bid guarantee expiration	26 days after reserve sale	

Administrative Requirements: CITSS Account

Compliance Instrument Tracking System Service (CITSS)

- Before participating in a reserve sale, an entity must have an approved CITSS account.
- 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 to provide notification of the entity's 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 Participation¹” box in CITSS to indicate the entity’s intent to participate in an upcoming auction or reserve sale.
 - 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.

¹. Note that the Auction Participation box is labeled “Auction Participation” for simplicity but indicates interest in participating in auctions and reserve sales.

Administrative Requirements: Auction Platform Account

- The Auction Platform allows entity representatives (PAR and AARs) to apply, post bids, review results, and download reports for a reserve sale.
- 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 or reserve sale 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 account selections for users that are associated with more than one entity.

Select An Account

Please select an account.

You are a Primary or Alternate Account Representative for multiple entities.

Select the participant account you are representing during this session in the Auction and Reserve Sale Platform by clicking on the checkbox and clicking OK.

To change the Participant Account that you are representing, you must log out of the Auction and Reserve Sale Platform and log in again to select a different Participant Account.

If you need further assistance in selecting the correct Participant Account, please contact Markit Support at auctionsupport@markit.com.

Select Participant Account

EDU1
EDU1 Oper - CA1004-1007

Entity02
Entity02 Oper - CA1017-1033

General04
General04 Oper - CA1025-1046

Cancel OK

Reserve Sale Participant Training Agenda

- ❖ **Section II: Reserve Sale Participation & Bidding**
 - Reserve Sale Participation Process
 - Steps 1 - 4
 - Reserve Sale Bidding
 - Bidding Limitations
 - Bid Guarantees
 - Holding Limit

Reserve Sale Participation Process: Steps 1 - 4

An entity will need to follow these general steps to participate in a reserve sale:

- **Step 1:** Apply to participate in the reserve sale to provide notification of an entity's intent to bid
- **Step 2:** Submit bid guarantee
- **Step 3:** Receive notice of entity's approval to participate
- **Step 4:** Participate in the reserve sale

Reserve Sale Participation Process

Step 1: Reserve Sale Application

- To apply to participate in the reserve sale, a PAR or 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 the entity and account representative information
 - **Step 1c:** Provide information on the form of bid guarantee to be submitted, and return instructions
 - **Step 1d:** Complete Attestation response and submit reserve sale application
- An application must be submitted in the Auction Platform by the PAR or an AAR by no later than the date and time the application period closes as provided in the Reserve Sale Notice.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Auction Platform Example: Application Tab

- To access the Reserve Sale 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.

The screenshot shows the 'Auction & Reserve Sale Platform' website. The top navigation bar includes 'Home', 'Resources', 'Archive', 'Application' (circled in red), and 'Auction'. A 'WCI, Inc.' logo is on the left, and user information 'Welcome Company 123, Alex Smith' with links for 'SUPPORT', 'CHANGE PASSWORD', and 'LOGOUT' is on the right. A 'Last login 28-Apr-2014 11:52AM' timestamp is also present. Below the navigation bar, a blue banner reads 'Welcome to the GHG Allowance Auction & Reserve Sale Platform'. A central section features a countdown timer for the next quarterly auction on April 29, 2014, showing 00:20:38. Below the timer is a table with 'Announced Reserve Price' for \$11.34 USD and \$11.41 CAD, with a link to 'Auction Reserve Price Determination Explanation'. To the right, a 'REPORTS' section allows filtering by 'Document Type' (Auction, Template) and 'Report or Document'. Below that, 'AUCTION HIGHLIGHTS' includes 'NOTICES' for 'MAY 16, 2014 AUCTION NOTICE MARCH 17, 2014' and 'MAY 16, 2014 AUCTION NOTICE ATTACHMENT A'. The bottom left contains 'Auctions Welcome' text and 'About the Platform' with a video player.

Announced Reserve Price	\$11.34 USD	\$11.41 CAD
Auction Reserve Price Determination Explanation		

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Auction Platform Example: Application Pages

WCI, Inc. Auction & Reserve Sale Platform

Welcome Company 123, Francis Smith | SUPPORT
CHANGE PASSWORD | LOGOUT
Last login 28-Apr-2014 10:44AM

Home Resources Archive **Application** Auction AUCTION IS CLOSED

Auction & Reserve Sale Application

1 INTENT TO BID 2 ENTITY APPLICATION INFORMATION 3 AUTHORIZED USER DETAILS 4 BID GUARANTEE 5 ATTESTATION

Welcome! [Get Started](#)

Let's help you complete the application process for the auction or reserve sale.

You will need to complete the auction and reserve sale application process. There are several steps in the application process that you are required to complete. As a convenience, where available, application information has been pre-populated from the CITSS in the Auction Platform for you to review and confirm.

The application process must be completed at least 30 days prior to the next quarter's auction or by the due date provided in the notice for each reserve sale. Upon completion of the application process, a notification email will be sent to your email address confirming receipt of your application. The status of the application will also be updated on the Application Status module on the right side of the next page.

APPLICATION STATUS
Joint Auction 3 April 2014
PENDING SUBMISSION

APPLICATION QUICK GUIDE
The application quick guide will help you every step of the way during your application process. Just check this module on the right side of each page to get a description, instruction, or notes for every step of the application process.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1a: Confirm the Event in Which the Entity Intends to Bid

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

The screenshot shows a progress bar at the top with five steps: 1. INTENT TO BID (highlighted with a green square), 2. ENTITY APPLICATION INFORMATION, 3. AUTHORIZED USER DETAILS, 4. BID GUARANTEE, and 5. ATTESTATION.

The main content area contains the following text and form elements:

Do you intend to bid?

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

Please note: If you are eligible and would like to participate in an auction or reserve sale, please complete your application. Each auction and reserve sale requires independent submittal of an intent to bid.

A dropdown menu labeled "Select Auction" is open, showing a list of options. The first option is "Select Auction" with a downward arrow. The second option is "Select Auction" with a blue checkmark. The third option is "Joint Auction 3 April 2014".

At the bottom of the form, there are three buttons: "Back", "Cancel", and "Confirm & Continue".

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1b: Verify entity and account representative information

- Entity and account representative details will be pre-populated from CITSS account information. The representative (PAR or AAR) will select “Confirm and Continue” to verify the accuracy of the data.

Verify your entity application information.

General Holding Account Number CA1033-1054	Entity Operating Name Company 123 Div A
Entity Legal Name Company 123	CITSS Entity Type Covered Entity, Covered Source, or Opt-in Entity
Organization Type	NAICS Code -
Jurisdiction Registered CA	Country Issued US
Mailing Address 200 Postal St Suite 100 Industry CA 60000 United States	Country United States

Verify your account representative details.

Primary Account Representative

Name Alex Smith	Phone 9876543210
Email asmith@wci-inc.org	

Alternate Account Representative

Name Chris Smith	Phone 9876543210
Email csmith@wci-inc.org	

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1b: Verify entity and account representative information

- If changes are needed to reserve sale 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 reserve sale application.
- 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.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1b: Verify entity and account representative information

- Some changes to application information, 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 Reserve Sale Notice.
 - Refer to the Regulation for specific details of the requirements for submitting changes to application information.
 - Attachment A to the Reserve Sale Notice contains additional information on requesting changes to reserve sale application information.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1c: Provide information on Form of Bid Guarantee to be Submitted, and Return Instructions

- Applicants 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 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.”

Reserve Sale Participation Process

Step 1: Reserve Sale 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

The screenshot shows a progress bar at the top with five steps: 1. INTENT TO BID, 2. ENTITY APPLICATION INFORMATION, 3. AUTHORIZED USER DETAILS, 4. BID GUARANTEE (highlighted), and 5. ATTESTATION. Below the progress bar is a form titled "What are your bid guarantee instructions?". The form contains the following text: "Please submit your bid guarantee in one or a combination of the following forms from a financial institution." and "Which form do you plan to submit?". There are three radio button options: "Cash in the form of a wire transfer", "Irrevocable Letter of Credit", and "Bond". At the bottom of the form are three buttons: "Back", "Cancel", and "Confirm & Continue".

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1c: Provide Information on Form and Currency of Bid Guarantee to be Submitted, and Return Instructions

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

Return Instructions for Cash

Beneficiary Account Name	Beneficiary Account Number
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Beneficiary Bank Name	Beneficiary Bank's Routing Number
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Additional Details <small>MAX 250 CHARACTERS</small>	
<div style="border: 1px solid #ccc; height: 100px; padding: 5px;"> Explanation </div>	

Return Instructions for Bond or Irrevocable Letter of Credit

Same as mailing address

Entity Legal Name	Individual Name
<input style="width: 95%;" type="text" value="Company 123"/>	<input style="width: 95%;" type="text"/>
Street Address	Street Address 2
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
City	State
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Country	Zip Code
<input style="width: 95%;" type="text" value="Select Country"/>	<input style="width: 95%;" type="text"/>
Phone	
<input style="width: 95%;" type="text"/>	

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.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1d: Complete Attestation response and submit reserve sale application

- The final step of the application process in the Auction Platform is to complete the Attestation response and submit the application.
 - The Attestation requirement does not apply to reserve sales, but this step must be Completed in the Auction Platform.
 - All applicants should select “No” to respond to the Attestation step in the Auction Platform.
- 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.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1d: Complete Attestation response and submit reserve sale application

Auction Platform Example: Attestation & Submit Application

1 INTENT TO BID 2 ENTITY APPLICATION INFORMATION 3 AUTHORIZED USER DETAILS 4 BID GUARANTEE 5 ATTESTATION

Do you attest that all information is correct?

The following attestation is required.

Section 95912(d)(4)(E) Attestation. Every entity must submit an attestation with the disclosures required by section 95912(d)(4)(E) before the deadline to apply to participate in the auction.

Answering "yes" to this attestation indicates that you understand the requirements of section 95912(d)(4)(E) and attest you will have submitted and/or updated the required attestation to ARB by the deadline to apply to participate in this auction.

Answering "no" to this attestation indicates that you understand the requirements of section 95912(d)(4)(E) and attest that you have no updates to the disclosures since the most recent auction application attestation was submitted.

Yes **No**

I have read and accept the Auction and Reserve Sale Terms of Use and Privacy Policy.

Back Cancel Submit

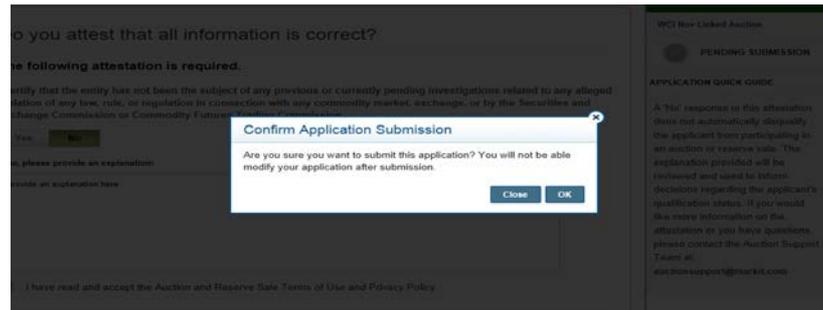
Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1d: Complete Attestation response and submit reserve sale application

Confirm Submission

- After selecting the “Submit” button, the representative will be asked to confirm the submission by selecting “ok” to complete this action.



Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1d: Complete attestation response and submit reserve sale application

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

The screenshot displays a web interface for the Reserve Sale Application process. At the top, a horizontal progress bar consists of five numbered steps: 1. INTENT TO BID, 2. ENTITY APPLICATION INFORMATION, 3. AUTHORIZED USER DETAILS, 4. BID GUARANTEE, and 5. ATTESTATION. The fifth step, 'ATTESTATION', is highlighted with a green circle, indicating it is the current step. Below the progress bar, the main content area features the heading 'Application Submitted' and a 'Review Submission' button. A message states: 'Your application has been submitted. You will receive a notification email that will be sent to your email address confirming receipt of the application. Please note all completed auction or reserve sale applications or intents to bid must be received by the deadline provided in the Auction or Reserve Sale Notice. The status of the application will be updated in the application status module on the right side of the page. Upon approval you will be notified no later than one business day before the auction or reserve sale that you are approved to bid in the auction or reserve sale.'

On the right side of the page, there is an 'APPLICATION STATUS' module. It shows 'Joint Auction 3 NEW April 2014' and a 'REVIEW' button. Below this, a green checkmark icon is displayed next to the word 'SUBMITTED', indicating the application's current status.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

- After submitting a reserve sale application, entities must submit a bid guarantee by the deadline date and time provided in the Reserve Sale 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 bid guarantee to Financial Services Administrator
- The Financial Services Administrator will receive and maintain all bid guarantees submitted as financial security.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

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

- Once a reserve sale application has been submitted, the Financial Services Administrator will complete the process to establish (first time auction or reserve sale participant) or confirm (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.

Reserve Sale Participation Process

Step 2: Submit 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.

Reserve Sale Participation Process

Step 2: Submit 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 Reserve Sale Notice.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2b: Download Financial Services Delivery Instructions

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

Auction Platform Example:

Welcome to the GHG Allowance Auction & Reserve Sale Platform

Auctions Welcome

The GHG allowance auctions follow a sealed bid, single round, uniform price (lowest winning bid) format. Each bidder may submit multiple bids and bid schedules for current or future vintage allowances. Allowances from current and future vintages will be offered in separate auctions in lot sizes of 1,000 allowances (equal to 1,000 metric tons of GHG's). For each quarterly allowance auction, there is a reserve price or price floor. For sales of allowances from the Allowance Price Containment Reserve (Reserve Sales), there are three pre-determined price tiers.

About the Platform

To learn more about the Auction Platform, click on the instructional video.

REPORTS

Document Type
Auction **Template**

Report or Document
Select

Bids Upload

Financial Services Delivery Instructions

ARB Consignee Wire Instructions Form

Example Letter Of Credit

NOTICES [VIEW ALL](#)

Joint Auction 3 NEW April 2014
Joint Auction 4 April 2014
CA Reserve Sale 2 April 2014
CA Auction 2 April 2014

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit 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 reserve sale.
 - The amount of the bid guarantee must be greater than or equal to the maximum value of the bids to be submitted.
 - Examples of how to determine a bid guarantee amount are provided in Attachment B to the Reserve Sale Notice.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit 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 Reserve Sale 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.
- Additional details are provided in Attachment A to the Reserve Sale Notice.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit 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.
- 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.”

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit bid guarantee to Financial Services Administrator

Submitting Physical Bid Guarantee Instruments

- Required terms are provided in Attachment A to the Reserve Sale 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.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit 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.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit 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 Reserve Sale 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 submitted by received by the Financial Services Administrator by the deadline, the application will be rejected.

Reserve Sale Participation Process

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

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

Reserve Sale Participation Process

Step 4: Participate in the Reserve Sale

- The bidding window can be accessed by clicking on the Reserve Sale Tab on the top banner of the Auction Platform.
- Reserve sale participants will be able to see whether the reserve sale bidding window is open or closed on the right hand side of the top banner of the Auction Platform.
 - A green light signifies the reserve sale bidding window is open.
 - A red light signifies that the reserve sale bidding window is closed.



Reserve Sale 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 must be entered:
 - Tier
 - Bids must be submitted in one of three tiers.
 - Each tier has a predetermined tier price, as provided in the Reserve Sale Notice.
 - Number of Bid Lots (1 lot = 1,000 APCR allowances)

Reserve Sale 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.

Reserve_Sale_Test2_20 Details

Tier One		Tier Two		Tier Three	
Total Allowance	Total Allowance Bid	Total Allowance	Total Allowance Bid	Total Allowance	Total Allowance Bid
40,000,000	10,000	40,000,000	--	40,000,000	--
Reserve Price	Total Bids	Reserve Price	Total Bids	Reserve Price	Total Bids
\$40.00	1	\$45.00	0	\$50.00	0

Bidding Closes In **17:22:15**

PT 13:37:43 ET 16:37:43

Submitted Bids

[Add Bid](#) [Upload Bids](#)

Bid Number	User	Time (PT)	Client Bid ID	Transaction ID	Bid Lots	Tier	Tier Price	Total Allowance	
1	MM Jones	1:37:24pm	4037	10051	10	Tier 1	\$40.00	10,000	Edit

QUICK TIPS

Adding Bids

To add a single bid, select the Add Bid button and a new row will be created for your bid. In the new row, enter the bid data, select the Submit button to submit the bid and the Confirm button to confirm the

Reserve Sale 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 reserve sale, a unique pre-formatted spreadsheet is available for download from the Auction Platform upon the opening of the reserve sale application period.

	A	B	C	D
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 Tier:	Select the tier you want to bid in.		
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				
9	Currency	Bid Tier	Bid Lots	Bid Allowances
10				
11				

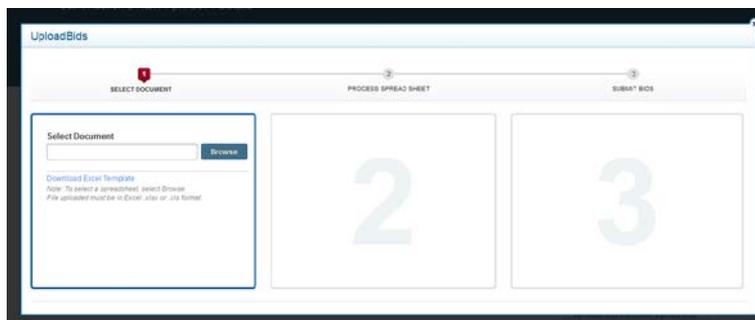
Reserve Sale Bidding

Auction Platform Example: Bid Schedule Upload Process

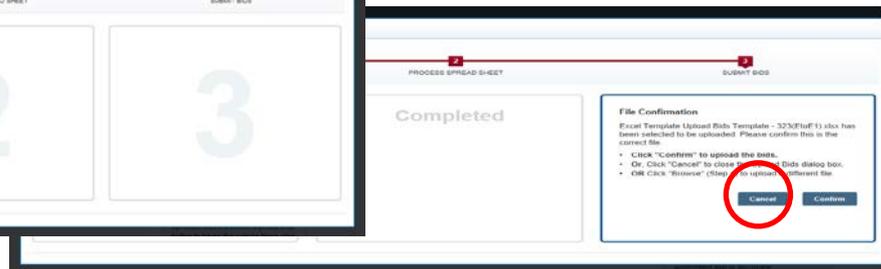
- The Upload Bids function is completed in 3 easy steps:
 - **Step 1:** Select Document – Browse and Select Excel spreadsheet with bids
 - **Step 2:** Process Spreadsheet – Upload Bids from the spreadsheet for submittal
Note: This step is automatically completed by the Auction Platform.
 - **Step 3:** Submit Bids – **Step 3a)** Confirm the spreadsheet and **Step 3b)** Submit the bids uploaded from the selected spreadsheet

Step 1: Browse & Select

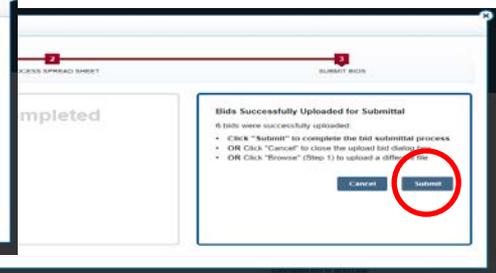
(Step 2: Process - completes automatically)



Step 3a: Confirm



Step 3b: Submit



Reserve Sale 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.

The screenshot displays the 'UploadBids' interface, which is divided into three main sections corresponding to the steps in the process flow: SELECT DOCUMENT, PROCESS SPREAD SHEET, and SUBMIT BIDS.

SELECT DOCUMENT: This section includes a 'Browse' button to upload a document. A file named 'Upload Bids Template - Z55_AD UAT 10-11-2' is shown. Below this is a 'Download Excel Template' link with a note: 'After adding event date, save the template as an .xls or .xlsx file'.

PROCESS SPREAD SHEET: This section displays a large 'Completed' message, indicating that the spreadsheet processing step has finished successfully.

SUBMIT BIDS: This section displays a message: '25 bids were uploaded successfully.' Below this message are 'Cancel' and 'Submit Bids' buttons.

Completed Dialog: A separate dialog box titled 'Completed' is shown, indicating the overall success of the bid upload process.

Bid Upload Failed Dialog: A separate dialog box titled 'Bid Upload Failed' is also shown, listing the following rules being violated:

- File uploaded must be in correct file format (.xls or .xlsx). Please download the latest bid upload template by clicking on Download Excel Template in step 1.
- Currency must be in USD (uppercase).
- The bid currency does not match the Bid Guarantee currency.
- Bid Price must be a number greater than zero with no more than two decimal points.
- Bid Lot must be a whole number greater than zero.
- Instrument Vintage must match allowances offered for sale at auction.
- The Bid Price must be equal to or greater than the Auction Reserve Price.

Please take one of the following actions:

- Click "Cancel" to close the Upload Bids dialog box.
- OR re-upload a different file by clicking on "Browse" (step 1).

The dialog box includes 'Cancel' and 'Confirm' buttons.

Reserve Sale 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.

Submitted Bids

Add Bid
Upload Bids

QUICK TIPS

Adding Bids

To add a single bid, select the Add Bid button and a new row will be created for your bid.

Bid #	User	Time	Bid Lot x1000	Tier	Tier Price	Total Allowances	
18	Markit	11:43:15	<input type="text" value="100"/>	Tier 1	\$40.00	10,000,000	Cancel Submit
17	Bill Pilgrim	11:40:29	110	Tier 3	\$50.00	10,000,000	Edit 
16	Markit	11:28:43	100	Tier 3	\$50.00	10,000,000	Edit 

Bid Removal

Are you sure you want to remove this bid?

Reserve Sale 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.

The screenshot shows the website's navigation bar with links for Home, Resources, Archive, Application, and Auction. A status indicator on the right says "AUCTION IS CLOSED" with a red circle. The main header area contains the text "Welcome to the GHG Allowance Auction & Reserve Sale Platform".

Below the header, there are three main content areas:

- Auctions Welcome:** A text block explaining the auction process: "The GHG allowance auctions follow a sealed bid, single round, uniform price (lowest winning bid) format. Each bidder may submit multiple bids and bid schedules for current or future vintage allowances. Allowances from current and future vintages will be offered in separate auctions in lot sizes of 1,000 allowances (equal to 1,000 metric tons of GHG's). For each quarterly allowance auction, there is a reserve price or price floor. For sales of allowances from the Allowance Price Containment Reserve (Reserve Sales), there are three pre-determined price tiers."
- About the Platform:** A video player showing a blue sky with white clouds. Below the video, there are two video titles: "Joint Auction 3 NEW April 2014" and "Joint Auction 4 April 2014".
- REPORTS:** A sidebar menu with "Document Type" set to "Auction" and "Template". Under "Report or Document", there is a dropdown menu with "Select" and a list of options: "Organization Results", "Bids Audit" (highlighted in green), "Financial Statement", and "XML".

Reserve Sale Bidding

Example Bids Audit Report

- The example Bids Audit Report on this slide is based on the entry of three reserve sale bids by an entity's representatives and two bid edits.

	A	B	C	D	E	F	G	H	I	J	K	L
1	Date	3/11/2015										
2	Auction	CA March Reserve Sale										
3												
4	Update Type	Update Time	Update By	Account Holding Number	Client Bid ID	Transaction ID	Bid Submission Time	Currency	Tier	Tier Cost	Bid Lots	Total Allowance
5	Created	14:44:12 PST	ymiller@abc.org	CA1000-1000	24CD4	94077	14:44:12 PST	USD	1	45.20	50	50000
6	Created	14:44:12 PST	ymiller@abc.org	CA1000-1000	34CD4	94077	14:44:12 PST	USD	1	45.20	50	50000
7	Updated	14:58:55 PST	ymiller@abc.org	CA1000-1000	34CD4	95023	14:44:12 PST	USD	1	45.20	100	100000
8	Created	14:44:12 PST	ymiller@abc.org	CA1000-1000	44CD4	94077	14:44:12 PST	USD	2	50.86	50	50000
9	Created	14:44:12 PST	ymiller@abc.org	CA1000-1000	54CD4	94077	14:44:12 PST	USD	3	56.51	50	50000
10												
11												

Bidding Limitations

- Reserve sale bids are rejected in lots of 1,000 if they:
 - Exceed the entity's Current Vintage holding limit; or
 - Exceed the value of the bid guarantee.
- Rejected bid quantities are not considered when making purchase determinations for a reserve sale.
- Examples of how bidding limits are applied are provided in Attachment B to the Reserve Sale Notice.

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 or an Annual Allocation Holding Account.
- Allowances purchased in the reserve sale are subject to the current vintage holding limit detailed in section 95920(c)(1) of the Regulation.
- The current vintage holding limit applies to allowances from the current calendar year, previous calendar years, and allowances purchased from the APCR.
- The 2015 Holding Limit is 13,370,000 allowances.

Bidding Limitations: Holding Limits with Limited Exemption

- Covered entities may exclude a limited number of 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 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 Reserve Sale Notice.

Bidding Limitations: Management of Holding Limit

- ARB will provide the Auction Administrator the total number of allowances that may be successfully bid without exceeding the holding limit for each reserve sale participant.
 - Data is transferred to the Auction Administrator the day prior to a reserve sale based on balances in CITSS accounts at approximately 12:00 PM PT / 3:00 PM ET the day prior to the reserve sale.
 - The holding limit data transmitted to the Auction Administrator is used solely for the purpose of administration of the holding limit bid limitation in the reserve sale and will reflect the account balances in CITSS the day before the reserve sale.
 - 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.
- The value of a set of bids equals the quantity of bid allowances in each tier times the tier price.
- Examples of how the bid guarantee limitation is applied are provided in Attachment B to the Reserve Sale Notice.
- Submitted bids that contain bid quantities with a value in excess of the bid guarantee 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 bids in all tiers.

Reserve Sale Participant Training Agenda

❖ Section III: Reserve Sale Results & Financial Settlement

- Purchase Determinations
- Reserve Sale Conduct
- Market Monitoring
- Reserve Sale Results
- Financial Settlement
- Contact Information

Purchase Determination and Bid Fulfillment

- Sales from each tier are conducted separately starting with the lowest price tier and proceeding through each higher priced tier.
- There are three potential outcomes for sales within each tier:
 - The quantity of qualified bids exactly corresponds to the quantity of allowances available in a given tier. All bids are filled and no allowances remain in the tier.
 - The quantity of qualified bids exceeds the quantity of allowances in a given tier. This will result in a tiebreaker process being applied.
 - The quantity of qualified bids is fewer than the number of allowances in a given tier.

Purchase Determination and Bid Fulfillment with a Tie Breaker

- If qualified bids in a tier exceed the quantity of allowances in that tier:
 - Allowances purchase share is determined based on share of total allowances from qualified bids.
 - Allowances for each entity determined by share multiplied by available allowances (rounded down to nearest whole allowance).
 - If residual allowances are left, each entity is assigned a random number. The remaining allowances are awarded to entities with the lowest random number.
- Further descriptions of the tiebreaker process are provided in Attachment B to the Reserve Sale Notice.

Purchase Determination and Bid Fulfillment with a Roll Down

- If allowances remain in a tier after all qualified bids are filled, the tier is undersubscribed relative to qualified bids.
 - Auction Administrator will sell the remaining allowances of the undersubscribed tier by “rolling down” qualified bids from the next higher-priced tier.
 - Evaluates all bids from the next higher-priced tier with respect to the remaining bid guarantee (at lower tier price) and holding limit of each entity
 - A random number is assigned to each bundle of 1,000 allowances in a qualified bid
 - Remaining allowances in the lower-price tier will be sold to bidders in the next tier, starting with the bundle assigned the lowest random number and proceeding in increasing order of random numbers until all the allowances in the lower-priced tier are sold.
- Further descriptions of the roll down process are provided in Attachment B to the Reserve Sale Notice.

Reserve Sale Conduct

- Pursuant to Section 95914(c) of the California Regulation, an entity shall not release any confidential information related to its auction or reserve sale participation, including:
 - Intent to participate, or not participate, at auction or reserve sale, auction or reserve sale 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.

Market Monitoring

- ARB staff and the Market Monitor actively monitor the GHG allowance auctions and reserve sales, and provide ongoing monitoring of GHG allowance holdings and market activity.
- The Market Monitor reviews bidding activity and works with ARB 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 staff provide final auction and reserve sale monitoring results to the Executive Officer.

Reserve Sale Results: Summary Results Report

- The Public Results Report for the reserve sale will be posted on the ARB website.
 - The date of posting is provided in the Reserve Sale Notice.
 - The posting is anticipated to occur at 12:00 (Noon) PT.
 - In the event of a delay, a message will be posted on the ARB website providing the new time for the release of the reserve sale results.
- The Public Results Report provides general results and statistics of the reserve sale.

Reserve Sale Results: Summary Results Report

- The reserve sale results will include the following:
 - The names of the qualified bidders.
 - The reserve sale prices per tier and allowances available in each tier.
 - The total number of allowances sold from each tier.

NOTE: The total number of allowances sold will be provided only if the total represents purchases from a minimum of three (3) qualified bidders.

Reserve Sale Results: Availability of Entity Results

- Following the posting of the Public Results Report, ARB will certify the reserve sale in the Auction Platform.
- Following certification, representatives of qualified bidders will be able to view and download the entity's reserve sale 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 reserve sale represents the beginning of the seven (7) day period in which a reserve sale participant is required to complete payment to the Financial Services Administrator of the amount due for allowances purchased.

Financial Settlement

Auction Platform Example: Organization Results Report & Financial Statement

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

The screenshot displays the Auction Platform interface. On the left, under "Auctions Welcome", there is a paragraph describing the auction process: "The GHG allowance auctions follow a sealed bid, single round, uniform price (lowest winning bid) format. Each bidder may submit multiple bids and bid schedules for current or future vintage allowances. Allowances from current and future vintages will be offered in separate auctions in lot sizes of 1,000 allowances (equal to 1,000 metric tons of GHG's). For each quarterly allowance auction, there is a reserve price or price floor. For sales of allowances from the Allowance Price Containment Reserve (Reserve Sales), there are three pre-determined price tiers."

In the center, the "About the Platform" section features a video player with a play button and a list of recent auctions: "Joint Auction 3 NEW April 2014", "Joint Auction 4 April 2014", "CA Reserve Sale 2 April 2014", and "CA Auction 2 April 2014".

On the right, the "REPORTS" module is active. It shows a "Document Type" dropdown set to "Auction" and a "Report or Document" dropdown menu. The menu items are "Select", "Organization Results", "Bids Audit", and "Financial Statement". The "Financial Statement" option is highlighted in green. Below the reports section, there are sections for "AUCTION HIGHLIGHTS" and "NOTICES" with a "VIEW ALL" link.

Financial Settlement: Organization Results Report

The Organization Results Report for an entity includes:

- Reserve Sale Information
 - Tier Prices
 - # of Successful Bids by Tier and Successful Bid Allowances
 - Total Bid Cost (By Tier and Combined Total)
- 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 the amount owed, no later than 7 days after certification of a reserve sale.
 - Deadline listed in the Reserve Sale 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 Reserve Sale Notice.

Financial Settlement: Bid Guarantee Return

- All bid guarantees for unsuccessful reserve sale applicants or bidders, regardless of type, will be returned approximately 3 business days after the reserve sale 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 instrument, 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.

Contact Information: Auction and Financial Administration Services

- **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 Account:**
 - Please contact CITSS Help Desk:
 - Email: help@wci-citss.org
 - Call toll-free: 1-866-682-7561
- **CA Cap-and-Trade Program:**
 - Please contact the Air Resources Board
 - Call: (916) 322-7072
 - 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>