

Auction Notice

California Cap-and-Trade Program and Québec Cap-and-Trade System

Joint Auction of Greenhouse Gas Allowances

On November 14, 2017

Issued on September 15, 2017

Auction Summary

This document, the Auction Notice for the California Cap-and-Trade Program and Québec Cap-and-Trade System Joint Auction of Greenhouse Gas Allowances on November 14, 2017 (Auction Notice), is the official notification for the November 14, 2017, joint greenhouse gas (GHG) allowance auction (November 2017 Joint Auction #13). The November 2017 Joint Auction #13 will offer years 2016 and 2017 vintage allowances in the Current Auction and year 2020 future vintage allowances in the Advance Auction. In the Auction Platform, the November 2017 Joint Auction #13 is identified by the title Joint Auction/Enchère Liée #13.

Additional background information, detailed instructions, and examples are posted in two supporting documents to provide information for 2017 auction events. The [2017 Detailed Auction Requirements and Instructions](#) document provides background information on the California Cap-and-Trade Program and Québec Cap-and-Trade System as well as detailed requirements and instructions for participating in a joint auction, including eligibility, auction applicant requirements, submitting a bid guarantee, bidding, and a description of the process to complete auction financial settlement and transfer of allowances.

The [2017 Auction Examples](#) document provides information and examples of how United States (U.S.) and Canadian currencies are managed; how to determine the amount of a bid guarantee; and bid evaluation procedures for purchase limits, holding limits, and bid guarantees.

Date and Time of Auction

The November 2017 Joint Auction #13 is scheduled to take place on November 14, 2017 from 10:00 AM Pacific Time (PT) / 1:00 PM Eastern Time (ET) until 1:00 PM PT / 4:00 PM ET.

The Auction Platform can be accessed at <https://www.wci-auction.org/ca> or <https://www.wci-auction.org/qc>.

Notification of New Regulatory Changes Affecting Auction Services

As of October 1, 2017, changes to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (California Cap-and-Trade Regulation or California Regulation) will go into effect, which may affect an entity's participation in an auction. Changes include the following:

- 1) Surety bonds will no longer be an acceptable bid guarantee form.
- 2) Corporate association disclosure requirements have been clarified and streamlined. Required changes to corporate association disclosures related to another registered entity prior to an auction must be completed no later than ten days before the auction application deadline.
- 3) Calculation of the limited exemption from the holding limit for covered or opt-in covered entities has changed to reflect an entity's actual emissions over time, which may increase or decrease. This change may affect the holding limit bid limitation that applies to an entity in an auction.

Notification of Updated Auction Services

Western Climate Initiative, Incorporated (WCI, Inc.), working with Participating Jurisdictions and contractors has completed updates to the Compliance Instrument Tracking System Service (CITSS) and Markit Auction Platform (Auction Platform). Primary updates include:

CITSS 8.0 Updated Auction Services

- Auction and reserve sale (event) applications and notices of intent to bid are submitted in CITSS (event applications and notices of intent to bid can no longer be submitted in the Auction Platform).
- Automated emails related to changes in application status or event application information (i.e., approval of an application or recording of a submitted bid guarantee) are sent to the Primary Account Representative (PAR) and all Alternate Account Representatives (AARs) from CITSS.
- Financial Services Delivery Instructions will be available in CITSS.
- Bidding limitations applicable to an event – bid guarantee amount, holding limits, and purchase limits – are displayed with the participant's event application information in CITSS.

Auction Platform Updated Auction Services

- Active PARs and AARs with Auction Platform accounts have access to participant reports for all events in which the entity participated, regardless of when the PAR or AAR was designated as such by the entity.
- Bidding limitations applicable to an event – bid guarantee amount, holding limits, and purchase limits – are displayed on the Auction Page in the Auction Platform.

For more information, please refer to the Summary of Updated Auction Services posted on the jurisdiction webpages provided in the Additional Information section at the end of this Auction Notice.

Allowances Offered for Sale

The auction of allowances from the current and previous budget years is known as the Current Auction. The auction of future vintage allowances is known as the Advance Auction. The Current Auction and Advance Auction will occur simultaneously at the date and time identified in this Auction Notice.

Allowances offered for sale in the November 2017 Joint Auction #13 are issued under the California Cap-and-Trade Program and the Québec Cap-and-Trade System. The number of allowances listed for the Current Auction includes California state- and Québec provincial-owned allowances and California allowances consigned by electrical distribution utilities and natural gas suppliers (consigning entities) and potentially other parties as described in the California Regulation. The allowances listed for the Current Auction can include allowances that remain unsold from an undersubscribed Current Auction and are returned to auction after two consecutive Current Auctions have resulted in a settlement price above the Auction Reserve Price. Additional allowances may also be made available for auction from closed CITSS accounts, allowances submitted for untimely surrender obligations, and the potential return of freely allocated allowances as the result of an enforcement settlement. In each of these situations, the vintages may not be the same as the current calendar year, or the allowances may be an allowance type with no vintage if they were purchased from a jurisdiction's Reserve Sale.¹

The number of allowances that will be available for sale in the Current Auction and Advance Auction are provided in Table 1 below.

Table 1: Allowances Offered for Sale

Auction	Number of Allowances
Current Auction	79,548,286
Advance Auction	9,723,500

For the November 2017 Joint Auction #13, there will be multiple vintages offered within the Current Auction. When submitting bids for the Current Auction, all bids are placed as "Current" vintage. For allowances awarded in the Current Auction, allowances will be transferred to successful bidders according to the requirements of the California Regulation and the Regulation respecting a cap-and-trade system for greenhouse gas

¹ Québec Sales by Mutual Agreement are referred to as Reserve Sales for simplicity.

emission allowances (Québec Regulation). The number of allowances offered by vintage in the Current Auction conducted in November 2017 are provided in Table 2 below.

Table 2: Current Auction Allowances Offered for Sale by Vintage

Vintage Year	Number of Allowances
2016	15,909,657
2017	63,638,629
Total Current Auction Budget	79,548,286

Annual Auction Reserve Prices

The Annual Auction Reserve Price refers to the Auction Reserve Price established and published annually by each jurisdiction. The Annual Auction Reserve Price is a predetermined minimum price at which allowances will be sold to auction participants in jurisdiction specific auctions. Each jurisdiction provides an Annual Auction Reserve Price that conforms to its Regulation.

The Annual Auction Reserve Prices for California (CA) and Québec (QC) are provided in Table 3. The CA Annual Auction Reserve Price is presented in United States Dollars (USD). The QC Annual Auction Reserve Price is presented in Canadian Dollars (CAD). The actual Auction Reserve Price in effect for each joint auction is determined the day prior to the joint auction based on the Auction Exchange Rate. This Auction Exchange Rate and Auction Reserve Price are required for joint auction currency management and are described in further detail in the [2017 Detailed Auction Requirements and Instructions](#) document.

Table 3: 2017 Annual Auction Reserve Prices

Auction	CA Annual Auction Reserve Price (USD)	QC Annual Auction Reserve Price (CAD)
Current Auction	13.57	13.56
Advance Auction	13.57	13.56

Auction Application Requirements and Instructions

I - Eligibility

All entities eligible to participate in an auction under the California Cap-and-Trade Program or Québec Cap-and-Trade System are eligible to participate in a joint auction. California covered entities, opt-in covered entities, and voluntarily associated entities (CA entities) are eligible to participate in a joint auction. Québec emitters and

participants (QC entities) are eligible to participate in a joint auction.

II – Auction Application Requirements

An entity applying for approval as an auction participant must be registered under the California Cap-and-Trade Program or Québec Cap-and-Trade System and have a CITSS General Holding Account that has not been revoked or suspended.

Auction application information includes the following:

- 1) Information submitted in the process of obtaining a CITSS account
 - a) Corporate identity, ownership, and capital structure of the applicant
 - b) The existence of any direct or indirect corporate associations
 - c) An allocation of the purchase limit and holding limit among associated entities, if applicable;
- 2) Bid guarantee form, currency, and return instructions; and
- 3) An attestation response.

Once an entity has been approved to participate in an auction, the entity need not complete another application for subsequent auctions unless there is a material change to the information contained in the approved application, although an entity that intends to participate in an auction must provide notice of intent to bid in CITSS at least 30 days prior to an auction, otherwise the entity may not participate in that auction.

Auction application requirements are described in further detail in the [2017 Detailed Auction Requirements and Instructions](#) document.

Auction Schedule

Table 4 presents the current schedule for activities associated with the November 2017 Joint Auction #13 (Auction Schedule). Any changes to the Auction Schedule will be communicated through an updated Auction Notice and by email to the PAR and AARs of California and Québec registered entities that have been qualified bidders in past events or that have submitted an event application to an upcoming event.

Table 4: Auction Schedule

Activities	Due Date	Time - Pacific Time (PT) / Eastern Time (ET)
Auction Notice released/ Auction application period opens	Friday, September 15, 2017	12:00 PM (Noon) PT / 3:00 PM ET
Deadline for entities to make changes in CITSS and submit all hard copy documents accompanying these changes	Thursday, October 5, 2017	
Auction application period closes	Monday, October 16, 2017	8:59 PM PT / 11:59 PM ET
All bid guarantees due to Financial Services Administrator	Thursday, November 2, 2017	No later than 3:00 PM PT / 6:00 PM ET
Auction participants approved and PAR and AARs notified	Thursday, November 9, 2017	
Auction Exchange Rate and Auction Reserve Price Posted to Auction Platform	Monday, November 13, 2017	
Auction held	Tuesday, November 14, 2017	Bidding window open from 10:00 AM – 1:00 PM PT / 1:00 PM – 4:00 PM ET
Joint Auction Summary Results Report released	Tuesday, November 21, 2017	12:00 PM (Noon) PT / 3:00 PM ET
Auction Certified / Auction results available to qualified bidders	Tuesday, November 21, 2017	12:00 PM (Noon) PT / 3:00 PM ET
Financial settlement in cash due to Financial Services Administrator	Thursday, November 30, 2017	No later than 3:00 PM PT / 6:00 PM ET
Distribution of auction proceeds completed by	Wednesday, December 13, 2017	
Transfer of allowances into CITSS Accounts	Wednesday, December 13, 2017	
California and Québec Post Joint Auction Public Proceeds Reports released	Wednesday, December 13, 2017	
Earliest date for bid guarantee expiration	Monday, December 11, 2017 (26 days after auction)	

Procedures for Conducting the Auction

Each quarterly joint auction will be conducted using an electronic, internet-based Auction Platform that bidders use to submit bids in a single-round, sealed-bid auction format.

As described above, each entity must submit an application for or confirm its intent to bid in an auction. All final bid guarantees must be received by the Financial Services Administrator by no later than the date and time listed in the Auction Schedule. The Jurisdictions will approve or deny applicants for an auction within two (2) business days prior to the date the auction is scheduled to take place.

Procedures for conducting the auction are described in further detail in the [2017 Detailed Auction Requirements and Instructions](#) document with specific examples provided in the [2017 Auction Examples](#) document.

Form and Manner for Submitting Bids

Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the bidding window. Bid quantities can only be submitted in multiples of 1,000 allowances. Bids for both the Current Auction and the Advance Auction will be accepted during the same scheduled 3-hour bidding window. The form and manner for submitting bids are described in further detail in the [2017 Detailed Auction Requirements and Instructions](#) document with specific examples provided in the [2017 Auction Examples](#) document.

Auction Participant Training Materials

An Auction Participant Training presentation for CA entities is available on the California Air Resources Board (CARB) Auction Information webpage and a similar Auction Participant Training presentation for QC entities is available on the Québec ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques² (MDDELCC) Carbon Market webpage. Each presentation includes information on regulatory requirements for auction participation, the auction application process, bid guarantee submission, bid submission, settlement price determination, and financial settlement processes for auctions.

Training materials are also available from the Auction Platform, and include a calendar of upcoming activities, Frequently Asked Questions (FAQs), the Auction Participant Training presentation, and an Auction and Reserve Sale Platform User Guide. Training materials are available in English for CA participants and both English and French for QC participants.

² Ministry of Sustainable Development, Environment and the Fight against Climate Change.

Auction Participant Training Webinar

Québec will hold an auction participant training webinar session to describe how to apply for an auction and submit bids in the Auction Platform, as well as how to submit a bid guarantee. The webinar will be presented in French by the Carbon market team of the MDDELCC. Any person interested or considering participating in an auction is invited to participate.

The details for the auction training webinar session are provided below.

Auction Participant Training Webinar #1 (French)

Date: September 27, 2017

Time: 7:00 AM – 9:00 AM PT / 10:00 AM – 12:00 PM ET

All PARs and AARs of Québec registered entities will receive an invitation to the Webinar. If you are not representing a Québec registered entity but wish to participate in this session, contact MDDELCC's Carbon market team at: spede-bcc@mddelcc.gouv.qc.ca.

Additional Information

Additional information on the California Cap-and-Trade Program and the Québec Cap-and-Trade System is available on the jurisdiction webpages as follows:

California

Cap-and-Trade Program: <https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>

Auction Information: <https://www.arb.ca.gov/auction>

CITSS Information: <https://www.arb.ca.gov/citss>

For questions regarding the California Cap-and-Trade Program, please contact the California Air Resources Board Cap-and-Trade Hotline at (916) 322-2037.

Québec

Cap-and-Trade System:

[http://www.mddelcc.gouv.qc.ca/changements/carbone/Systeme-plafonnement-droits-
GES-en.htm](http://www.mddelcc.gouv.qc.ca/changements/carbone/Systeme-plafonnement-droits-GES-en.htm)

Carbon Market Website:

http://www.mddelcc.gouv.qc.ca/changementsclimatiques/marche-carbone_en.asp

Auction Contact Information

For further information about participation in the November 2017 Joint Auction #13, please contact one of the following:

California Cap-and-Trade Program
Tobias Muench, California Air Resources Board
Tobias.Muench@arb.ca.gov
(916) 322-3908

Québec Cap-and-Trade System
Ministère du Développement durable de l'Environnement et de la Lutte contre
les changements climatiques
spede-bcc@mddelcc.gouv.qc.ca
418 521-3868, poste 7400