

Attachment A - Detailed Auction Requirements and Instructions

Auction Notice California Cap-and-Trade Program Greenhouse Gas Allowance Auction on November 14, 2012 Issued on September 14, 2012

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 will hold allowance auctions to allow market participants to acquire allowances directly from ARB.

Attachment A includes the November 2012 auction schedule and detailed requirements and instructions for participating in the auction.

I. Auction Schedule

Table 1 presents the current schedule for all events associated with the November 2012 auction (“Auction Schedule”).

Table 1: November 14, 2012 Auction Schedule

Activities	Date	Time
Release Auction Notice	Friday, September 14, 2012	
Auction Participant Training Webinar #1	Tuesday, September 25, 2012	1:00 PM – 3:00 PM PT
Bidders’ conference	Thursday, October 4, 2012	9:00 AM – 12:00 AM PT
Auction Participant Training Webinar #2	Wednesday, October 10, 2012	10:00 AM – 12:00 PM PT
Auction application window closes in the Auction Platform	Monday, October 15, 2012	11:59 PM PT Monday, October 15, 2012
All bid guarantees due to Financial Services Administrator	Friday, November 2, 2012	No later than 2:00 PM PT
Consignees transfer consigned allowances from Limited Use Holding Account to Auction Holding Account in the CITSS	By Monday, November 5, 2012	No later than 5:00 PM PT

ARB approves auction participants and participants notified	Monday, November 12, 2012	No later than 5:00 PM PT
Auction held	Wednesday, November 14, 2012	Bidding window open from 10:00 AM – 1:00 PM PT
Public notice of auction results released	Monday, November 19 24, 2012	
Notification of financial settlement invoice sent to auction participants	Monday, November 19 24, 2012	
Financial settlement in cash due to Financial Services Administrator	Friday, November 30, 2012* December 3, 2012	No later than 2:00 PM PT
Financial settlement complete	Wednesday, December 5, 2012	
Transfer of allowances into CITSS Accounts	Friday, December 7, 2012	
Auction proceeds distributed	Monday, December 10, 2012	

*The Financial Services Administrator must collect cash payments from winning bidders within seven (7) days of notifying them of the auction results as provided in the Regulation. ARB is allowing for additional time for financial settlement in cash for the November 2012 auction, only, due to the holiday.

II. Administrative Requirements to Participate in the Auction

A. Eligibility

California covered entities, opt-in covered entities, and voluntarily associated entities are eligible to participate in the November 2012 GHG allowance auction. Approved offset registries, verification bodies, and offset verifiers are not eligible to participate in auctions as they are not allowed to hold compliance instruments under the Cap-and-Trade Regulation (Regulation). Prior to participating in an auction, the Primary Account Representative (PAR) and Alternate Account Representative (AAR) that will be authorized to bid on behalf of entities eligible to participate in the auction must be approved users in the Compliance Instrument Tracking System Service (CITSS) and the entity must have an entity account in the CITSS. Voluntary associated entities that are participating in the auction as individuals will be required to submit additional documentation to the Financial Services Administrator as contained in Appendix A of the Regulation.

B. Compliance Instrument Tracking System (CITSS) Account

The following requirements must be met prior to being able to access the Auction Platform and submitting an application for the November 2012 auction:

- There must be an approved account in the CITSS; and
- The PAR/AAR must receive an auction account activation email from the Auction Platform. The email will provide your user name (email address) and activation link to activate the account and change your password. This email is received after the CITSS registration information is transmitted to the Auction Administrator.

The email address submitted for each account representative in the CITSS user registration process will be used as the account representative's user name in the Auction Platform.

An entity or person interested in participating in the auction that has not already registered as a user and obtained a CITSS account is strongly advised to do so immediately. An individual or entity must have a CITSS account to participate in the auction. CITSS can be accessed at <https://www.wci-citss.org>. Accounts in the CITSS must be approved by the California Registrar more than thirty (30) days preceding an auction to allow the auction application to be submitted thirty (30) days prior to the auction. To apply for an entity account in the CITSS, two account representatives must be approved CITSS users.

Although the CITSS will allow one user to represent multiple entities, the Auction Platform will not allow an account representative (PAR and/or AAR) to represent multiple entities for the November 2012 auction. In the November 2012 auction, a representative can only represent one entity. In the Auction Platform each entity is represented by two unique users (account representatives) based on the entity's CITSS account.

C. Participation by Entities with Corporate Associations

Because auction application information is transferred from the CITSS, registration in the CITSS by entities with corporate associations should be completed based on an entity's intent to participate in the November auction. For entities with corporate associations, the options for auction participation are:

- Option I: As a single Consolidated Entity Account (CEA); or
- Option II: As multiple accounts under the “Opt-Out” option.

Option I – Planned Participation as a Consolidated Account

If auction participation will include only one entity with a consolidated account, ensure that the entity participating in the auction is represented by a PAR and AAR that does not represent any other entity. The PAR and AAR may apply to participate in the auction on behalf of the CEA that represents all the consolidated entities. All representatives of the consolidated accounts will receive an invitation to participate in the auction. An auction application should be submitted only by the representatives that will participate in the auction.

Option II – Planned Participation with Multiple Accounts (Opt-Out)

If your entity plans to opt-out of account consolidation, there are two ways to participate in the November 2012 auction.

Option IIa: If auction participation will include multiple entities within a corporate association, ensure that each entity with a CITSS account is represented by a different PAR and AAR. A single person as a PAR or an AAR should not represent more than one entity in the auction. All representatives will receive an invitation to participate in the auction and may submit an auction application.

Option IIb: Alternatively, an entity may select one entity within all the associated entities to participate in the auction. The entity should ensure that the PAR and AAR do not represent any other entity. Under this option, compliance instruments purchased in the auction can be accepted in the CITSS Holding Account of the one entity and transferred to other entities’ CITSS accounts within the corporate association as needed.

More information on consolidated accounts and the impact on the November 2012 auction can be found on ARB’s Cap-and-Trade Program website at:

http://www.arb.ca.gov/cc/capandtrade/markettrackingsystem/consol_accounts.pdf.

III. Participating in the Auction

To participate in the auction, entities and individuals must take the following steps. Additional detail on each step is provided below.

Step 1: Apply to participate in the auction

- Step 1a: Confirm intent to bid
- Step 1b: Verify entity and account representative information
- Step 1c: Submit bid guarantee information
- Step 1d: Complete attestation and submit auction application
- Step 2: Participate in pre-auction activities (optional, but recommended)
- Step 3: Submit physical bid guarantee
- Step 4: Consign allowances (if applicable)
- Step 5: Participate in the auction
- Step 6: Receive auction results and remit payment

Step 1: Apply to Participate in the Auction

Applicants must complete a series of steps within the Auction Platform to apply to participate in the auction.

Step 1a: Confirm Intent to bid

To participate in the November 2012 auction, each new applicant must confirm their intent to bid, and review and confirm their application details in the Auction Platform. The auction application must be submitted in the Auction Platform by the PAR or AAR by no later than 11:59 PM PT on Monday, October 15, 2012.

For the November 2012 auction, all applicants will be new applicants, even if they participated in the Practice Auction. User names and passwords used in the Practice Auction in August 2012 cannot be used to access the Auction Platform for the November 2012 auction.

An entity must have an account in the CITSS to participate in the auction. Each account representative registered under an account in the CITSS will receive an email from the Auction Administrator with an activation link to activate his or her account and to reset their password in the Auction Platform. Once a password is reset, the account representative will receive a confirmation email from the Auction Administrator and will be able to log onto the Auction Platform using their username and password to start the auction application process. The email address submitted for each account representative in the CITSS user registration process will be used as the account representative's user name in the Auction Platform.

Each representative that wants to participate in the auction must click on the activation link in the account activation email from the Auction Administrator in order to receive email notifications and to be able to log into the Auction Platform to access resources

not available on the public portion of the Auction Platform. Either the PAR or the AAR must complete the auction application process, including submitting an intent to bid.

Step 1b: Verify Entity and Account Representative Information Transferred from the CITSS

Each new applicant must review and confirm their entity account information in the Auction Platform. Entities must also confirm their account representative details in the Auction Platform. Individuals do not need to confirm account representative details in the Auction Platform. Auction application details are imported into the Auction Platform from the CITSS. Therefore, all changes to auction application information must be made through the CITSS. Material changes such as a change in account representatives will require review and approval by the California Registrar. Updates in the CITSS should be made a minimum of ten (10) business days before the close of the auction application period. It may take up to ten (10) business days before entity detail changes made in the CITSS are approved and reflected in the Auction Platform.

Step 1c: Submit Bid Guarantee Information

Auction participants can select one or a combination of the forms of bid guarantee during the auction application process in the Auction Platform on the Bid Guarantee page. All physical forms of bid guarantee (LOCs or bonds) will be sent directly to the Financial Services Administrator, as described in Step 3, the “Submit Physical Bid Guarantee” section of this Attachment.

Step 1d: Complete the Attestation and Submit Auction Application

Once you complete the attestation in the Auction Platform, your application for the auction is complete. After your application is submitted, ARB, the Auction Administrator, and the Financial Services Administrator will perform a number of tasks.

1. The Auction Administrator will confirm receipt of each auction application via email on the day it is received.
2. ARB will review each new applicant’s application and make a determination to approve or deny.
3. Each new applicant will be notified via email within two (2) days of the auction date, as to whether their auction application has been approved or denied.

A. Potential Bidder

Each Applicant that has completed an auction application and been approved is referred to as a “Potential Bidder.”

B. Auction Participant Notification

Each potential bidder that has successfully met the financial guarantee requirements and established an account with the Financial Services Administrator, as described below, may bid in the November 2012 auction. Each potential bidder will be notified of their auction participation status prior to the auction.

C. Establishing an Account with the Financial Services Administrator

Information that is provided to the Auction Administrator will be supplied electronically to the Financial Services Administrator so that a Know-Your-Customer review can be performed and an account established with the Financial Services Administrator for the submission of your bid guarantee.

Auction participants participating as an individual (as compared to an organization) will be required to furnish the Financial Services Administrator with additional identity documentation during the auction application process to comply with the USA PATRIOT Act. Please refer to the Individual Application Information page in the Auction Platform for instructions on where to send the required application information for individuals.

D. Receipt of Auction Proceeds for Consigned Allowances

The primary purpose of an account being established with the Financial Services Administrator is for the receipt of the bid guarantee and payment for allowances. If an entity consigning allowances applies to participate in an auction, they should select Cash or Certified Funds as their form of bid guarantee. This will require the auction participant to enter payment instructions for the return of unused funds. It can also be used to provide the Financial Services Administrator with wire instructions for the payment of consignment proceeds. If separate wire transfer instructions are required for return of a bid guarantee and payment of consignment proceeds, the entity should contact the Financial Services Administrator to provide additional instructions.

Contact information for the Financial Services Administrator is as follows:

California Air Resources Board Cap-and-Trade Program Financial Services
Administrator
c/o Deutsche Bank National Trust Company
60 Wall Street, 27th Floor
New York, NY 10005-2836 USA
Phone: (212) 250-6645
Email: CAARB.inbox@db.com

Step 2: Participate in Pre-Auction Activities (optional, but recommended)

A. Bidders' Conference

ARB will hold a bidders' conference prior to the November 2012 auction from 9:00 AM to 12:00 PM PT on Thursday, October 4, 2012, in Sacramento at the California Environmental Protection Agency (Cal/EPA) headquarters building and via teleconference. The bidders' conference will be open to anyone interested in participating in the November 2012 auction. The bidders' conference will include discussion of the auction format and the application process, and auction procedures and requirements.

Directions to the Cal/EPA headquarters building can be found at:
<http://www.calepa.ca.gov/EPABldg/location.htm>.

Dial-In Numbers (use either number):
(415) 228-5031
(888) 972-7810 (toll free)

Participant Passcode: 49700

B. Auction Participant Training Webinars

ARB and the Auction Administrator will hold two auction participant training webinar sessions to describe how to apply for an auction and submit bids in the Auction Platform, as well as how to submit a bid guarantee. Each training session will include the same information, and a question and answer period. The details for these auction training webinar sessions are provided below.

Auction Participant Training Webinar #1

Date: Tuesday, September 25, 2012

Time: 1:00 PM – 3:00 PM PT

To dial-in, please use the Participant Phone numbers and Webinar Passcode listed below:

Participants US and Canada Toll free: 888-523-1227

Participants International Toll: +1 719-457-2665

Conference ID: 1560064

Click here to join the Webinar: <http://markit.adobeconnect.com/r1h7jaalmhc/> and sign in as a guest.

Auction Participant Training Webinar #2

Date: Wednesday, October 10, 2012

Time: 10:00 AM – 12:00 PM PT

To dial-in, please use the Participant Phone numbers and Webinar Passcode listed below:

Participants US and Canada Toll free: 888-523-1227

Participants International Toll: +1 719-457-2665

Conference ID: 1560064

Click here to join the Webinar: <http://markit.adobeconnect.com/r6g7t325zq6/> and sign in as a guest.

Training materials will be available on the Resources tab of the Auction Platform. Training materials available in the public Auction Platform include an Auction Guide, which provides a high-level overview of the Auction Platform and the process for participating in an auction or reserve sale, Frequently Asked Questions (FAQs), a training webinar video, and calendar of auction activities. Additional materials will be available to auction participants once they have received an account in the Auction Platform. This material will include a User's Guide with a step-by-step explanation of what to expect during an auction or reserve sale.

The Auction Platform includes a link to submit questions and comments to the Auction Administrator regarding the auction process. Questions regarding the Auction Platform and bidding process can also be sent directly to the Auction Administrator Support Team at auctionsupport@markit.com. For all other questions regarding the California GHG Cap-and-Trade Program, please contact the California Air Resources Board at (916) 322-2037.

Step 3: Submit Physical Bid Guarantee

Bid guarantees must be received by the Financial Services Administrator in United States Dollars ("USD") by no later than 2:00 PM PT on Friday, November 2, 2012. The

amount of the bid guarantee provided to the Financial Services Administrator will be used to set bidding limitations in the auction. To determine the bid guarantee amount to provide in the November 14, 2012 auction, please see Attachment B.

Financial guarantee instruments for the November 2012 auction must be in one or a combination of the following forms:

- Cash in the form of wire transfer or certified funds such as a bank check or cashier's check.
- 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.

Auction participants can select one or a combination of the forms during the auction application process in the Auction Platform on the Bid Guarantee page. All physical forms of bid guarantee (LOCs or bonds) will be sent directly to the Financial Services Administrator.

Details of the three forms of bid guarantee are described below. The Financial Services Administrator acts as agent for ARB for the purpose of financial settlement for California GHG allowance auctions. All cash bid guarantees submitted will be held in a non-interest bearing trust account with the Financial Services Administrator. Each potential bidder should be sure to allow sufficient time for the delivery of the bid guarantee to the Financial Services Administrator by consulting with its banker well before the bid guarantee submission deadline of 2:00 PM PT Friday, November 2, 2012.

On the behalf of ARB, the Financial Services Administrator receives and maintains any LOCs and bonds that are submitted as financial security. As part of the financial settlement of each auction, irrevocable LOCs and bonds will be returned according to the return instructions provided by the bidders in the Auction Platform, or are drawn down in the case of a failure to settle.

A. Submitting a Cash Bid Guarantee

Cash wire transfers or certified funds must be received by the Financial Services Administrator, Deutsche Bank National Trust Company, by no later than 2:00 PM PT on Friday, November 2, 2012, at the address provided below.

ARB Auction & Reserve Sale Financial Services Administrator
c/o Deutsche Bank National Trust Company
60 Wall Street, 27th Floor

New York, NY 10005-2836 USA

B. Submitting a Wire Transfer Bid Guarantee

Potential bidders will be emailed the details for submitting cash by wire transfer after the auction application process has been completed.

The cash wire details will include the following information:

- Originating Bank Information (“OBI Field”)
- Beneficiary name
- Account number
- ABA routing number
- Payment Details¹

Potential bidders will receive an email confirmation that their bid guarantee has been received by Deutsche Bank.

Unused wire transfer balances will be returned by Deutsche Bank via Fed Wire per the instructions given during the application process not later than twelve (12) days after the certification of the auction or after results and invoices are sent to successful auction or reserve sale participants by the Auction Administrator.

C. Submitting a Certified Bank Check or Cashier’s Check Bid Guarantee

Certified funds in the form of a certified bank check or cashier’s check must be received by Deutsche Bank no later than 2:00 PM PT on Friday, November 2, 2012, in order to be deposited in a timely manner.

Potential bidders will be emailed the details for submitting cash by a certified bank check or cashier’s check after the application process has been completed. All checks must be made out to “Deutsche Bank National Trust Company” and will be deposited into a trust account established on your behalf during the application process. The financial security will be credited at the time the check clears.

¹ The Payment Details include a Portfolio number that you will receive in the emailed instructions for submitting cash. It is important that the wire details are set up exactly as provided in your delivery instructions in order to deposit the funds.

Unused cash balances will be returned by Deutsche Bank via Fed Wire per the bid guarantee return instructions given during the application process, not later than twelve (12) days after the certification of the auction or after results and invoices are sent to successful auction or reserve sale participants by the Auction Administrator.

D. Submitting a Letter of Credit Bid Guarantee

A LOC issued by a United States financial institution, must be received by the Financial Services Administrator no later than 2:00 PM PT on Friday, November 2, 2012.

All bid guarantees in the form of a LOC require the following non-negotiable terms:

- The party named as “Applicant” on the LOC must be identical to that named in the participant’s auction application.
- Deutsche Bank National Trust Company must be listed as the beneficiary.
- The LOC must be irrevocable.
- The amount of the LOC must be included.
- The expiration date must be at least 21 days after the scheduled auction.
- There must be instructions included indicating where to submit the LOC for payment.
- There must be a payment certificate/form of draw included as an exhibit or annex to the LOC.
- There must be a draw cut off time of no earlier than 9:00 am Pacific Standard Time for same day draw.

The mailing/Federal Express instructions for LOC forms are as follows:

Payable to Deutsche Bank National Trust Company

Mailing Address:

ARB Auction and Reserve Sale Financial Services Administrator

c/o Deutsche Bank National Trust Company

60 Wall Street, 27th Floor

Mailstop: NYC60-2715

New York, NY 10005-2836

Phone: (212) 250-6645

Please note if any of these terms are not met, the submitted LOC may be rejected.

If a bid guarantee in the form of LOC provided to the Financial Services Administrator needs to be revised:

- Auction participants would be notified by the Financial Services Administrator.
- Auction participants would contact their financial institution in advance of the bid guarantee submittal deadline of Friday, November 2, 2012, and request an amendment to their bid guarantee.

C. Submitting a Bond Bid Guarantee

A bond, issued by a United States financial institution, must be received by the Financial Services Administrator no later than 2:00 PM PT on Friday, November 2, 2012.

All bid guarantees in the form of a bond require the following non-negotiable terms:

- The party named as “Principal” in the bond must be identical to that named in the participant’s application.
- Deutsche Bank National Trust Company must be listed as the beneficiary/obligee.
- The expiration date must be at least 21 days after the scheduled auction.
- The amount of the bond must be included.
- There must be instructions indicated within the bond form detailing where to submit the bond for payment.
- The party named as Principal must be identical to that named in the participant’s application.

The mailing/Federal Express instructions for bond forms are as follows:

Payable to Deutsche Bank National Trust Company
Mailing Address:
ARB Auction and Reserve Sale Financial Services Administrator
c/o Deutsche Bank National Trust Company
60 Wall Street, 27th Floor
Mailstop: NYC60-2715
New York, NY 10005-2836
Phone: (212) 250-6645

Please note if any of these terms are not met, the submitted bond may be rejected.

If a bid guarantee in the form of bond provided to the Financial Services Administrator needs to be revised:

- Auction participants would be notified by the Financial Services Administrator.

- Auction participants would contact their financial institution in advance of the bid guarantee submittal deadline of Friday, November 2, 2012, and request an amendment to their bid guarantee.

Step 4: Consign Allowances (if applicable)

An entity may consign allowances to the Executive Officer for sale at the quarterly auctions only from a Limited Use Holding Account. If you do not have a Limited Use Holding Account, you may not consign allowances to auction. Each consigning entity agrees to accept the auction settlement price for allowances sold at the November 2012 auction. For the November 2012 auction, allowances designated for consignment pursuant to section 95892(c) of the Regulation must be transferred to the Auction Holding Account at least ten (10) days before the auction. Because November 4, 2012 falls on a Sunday, allowances must be transferred by Monday, November 5, 2012.

Step 5: Participate in the Auction

The November 14, 2012, GHG allowance auction will be conducted using an electronic, internet-based Auction Platform that bidders will use to submit their bid in a single round, sealed bid auction format. Bid quantities must be submitted in multiples of 1,000 California GHG allowances.

Beginning with the highest bid and proceeding to successively lower bids, entities submitting bids at each price will be awarded allowances. The settlement price for all allowances will be the lowest price at which the entire supply of allowances is exhausted or the reserve price, whichever is reached first. Current and future vintage allowances will be sold in separate auctions, with the current vintage auction taking place first. Examples of how auctions are settled are provided in Attachment B of this Notice.

A. Bidding in the Auction

The November 14, 2012, GHG allowance auction includes the opening of the 3-hour bidding window in the Auction Platform at 10:00 AM PT and the closing of the window at 1:00 PM PT. A countdown clock in the Auction Platform will indicate the amount of time until the start of the bidding window and once the auction begins, the amount of time left in the bidding window. Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the 3-hour bidding window.

Other features of the November 2012 auction are as follows:

- Auction participants will select their desired allowance vintage and enter the number of allowances (1 lot = 1,000 allowances) and the bid price.
- Auction participants will enter their bids in whole United State Dollars (“USD”) and whole cents.
- Auction participants are allowed to submit as many bids as they wish during the 3-hour window.
- Participants will be able to edit or withdraw their confirmed bids and submitted bid schedules during the 3-hour auction bidding window.
- Once the auction bidding window has been closed no further changes to bids or bid schedules can be made.

B. Bidding Limitations

The California Cap-and-Trade Regulation includes several bidding limitations related to the reserve price, bid guarantee submitted, purchase limit, and holding limit. These bidding limits are described below. Examples of how to review a bid schedule in respect to these bidding limits including how to determine your bid guarantee and how an auction would be settled are included in Attachment B.

Reserve Price Bid Limitations

The reserve price for the November 2012 auction for the Current Auction (vintage 2013) allowances and the Advance Auction (vintage 2015) is \$10 per GHG allowance.

No allowances will be sold at bids lower than the auction reserve price. Please note that the Auction Platform will accept bids lower than the reserve price during the bidding window. Bids lower than the auction reserve price will be rejected during settlement.

Bid Guarantee Bid Limitations

The bid guarantee for the November 2012 auction must be greater than or equal to the maximum value of the bids to be submitted.

- The value of a set of bids equals the quantity of bids submitted at or above that price times that price. The value of the set of bids is calculated at each price at which the bidder will submit 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 will submit a bid.

To calculate this value, bidder's bids are ranked from highest to lowest. The largest bid value calculated and therefore the maximum cost, is the total value of the bidder's bid and is counted against the bid guarantee limit. See Attachment B of this Notice for an example of how to calculate your bid guarantee. The Auction Platform will reject a bid that would cause the maximum bid value of the bidder's bids to exceed the amount of a bidder's bid guarantee.

Purchase Limit Bid Limitation

The purchase limits for the auction of current vintage allowances are as follows:

- The purchase limit for covered entities and opt-in covered entities will be fifteen (15) percent of the allowances offered for auction;
- The purchase for electrical distribution utilities will be forty (40) percent of the allowances offered for auction; and
- The purchase limit for all other auction participants is four (4) percent of the allowances offered for auction.

For the advance auction of future vintage allowances, the purchase limit is 25 percent of the allowances offered for auction for all participants.

Entities that are part of a direct corporate association may allocate shares of the purchase limit amongst themselves. Each entity will then have a specified percentage share of the association's purchase limit. The sum of the shares allocated among the entities must sum to one. Each associated entity's allocated purchase limit share multiplied by the auction purchase limit assigned to the association becomes the purchase limit for that entity. These purchase limits will be used to limit the quantity of accepted GHG allowances bid by each of the bidders with a corporate association.

Holding Limit Bid Limitation

The holding limit is the maximum number of California 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 will be calculated separately for each vintage year. Entities that are part of a direct corporate association that choose to opt out of account consolidation

pursuant to section 95833(f)(3) of the Regulation must allocate shares of the holding limit among themselves. This holding limit allocation results in each entity having a specified percentage share of the group's holding limit. The sum of the shares allocated among the entities must sum to one.

ARB will transmit a file to the Auction Administrator prior to the auction that contains the holding limit cap and purchase limit cap for each auction participant. These caps will indicate how many allowances an auction participant may acquire before exceeding their purchase limit and holding limit. The holding limit cap will be based on the account balances and limited exemption data available in the CITSS at approximately 12:00 PM PT the day prior to the auction.

C. Auction Conduct

As provided in Section 95914(c) of the Regulation, an entity approved for auction participation shall not release any confidential information related to its auction participation, including:

- Qualification status;
- Bidding strategy;
- Bid price or bid quantity information;
- Information on the bid guarantee provided to the Financial Services Administrator; and
- Other information identified as confidential information in the auction application by the Auction Administrator.

If an entity participating in an auction has retained the services of an advisor regarding auction bidding strategy, then:

- The entity must ensure against the advisor transferring information to other auction participants or coordinating the bidding strategy among participants;
- The entity will inform the advisor of the prohibition of sharing information to other auction participants and ensure the advisor has read and acknowledged the prohibition under penalty of perjury; and
- Any entity that has retained the services of an advisor must inform ARB of the advisor's retention.

ARB has contracted with an independent market monitor, Monitoring Analytics, LLC. for the California Cap-and-Trade Program. The purpose of the Market Monitor is to monitor, detect, and report on issues relating to the operation of the GHG allowance

auctions, reserve sales, and secondary markets. The Market Monitor will monitor the GHG allowance auction and reserve sales, and provide ongoing monitoring of GHG allowance holdings and market activity. The Market Monitor will monitor the secondary market to identify any indications of anti-competitive behavior, as well as to understand market activity and trades. The Market Monitor's findings will be provided to ARB staff to review and take action, as needed.

Any fraudulent, manipulative, collusive, or noncompetitive behavior in a GHG allowance auction or reserve sale may be investigated and prosecuted in accordance with all applicable laws and regulations.

Step 6: Receive Auction Results and Remit Payment

Following the auction, the Auction Administrator will notify ARB of the auction results and ARB and the Market Monitor will review the auction results. ARB's Executive Officer will review the conduct of the auction and certify whether the auction met the requirements of the Regulation. Once the auction results have been certified by the Executive Officer, the Financial Services Administrator will begin the financial settlement process.

If the auction results are rejected by the Executive Officer, a re-run of the auction may be scheduled and auction participants will be notified by the Auction Administrator and through an email notification.

A. Notification of Auction Results

The settlement price for the November 2012 auction will be posted on the ARB website at <http://www.arb.ca.gov/cc/capandtrade/auction/auction.htm> and the WCI, Inc. website at <http://www.wci-inc.org> once the auction is certified. In the event of a delay, a message will be posted on the ARB website and WCI, Inc. website providing the new time for the release of the settlement price. Immediately following the posting of the settlement price, bidders will receive an email notification that they can log into the Auction Platform to view their auction results. Each bidder will see the number of GHG allowances they have been awarded, if any.

The public results from the November 2012 auction will be posted on the ARB website at <http://www.arb.ca.gov/cc/capandtrade/auction/auction.htm> and the WCI, Inc. website at <http://www.wci-inc.org> once financial settlement is complete. The auction results will include the following:

- The names of the qualified bidders.
- The auction settlement price.
- Aggregated or distributional information on purchases with names of the entities withheld.

Additional summary statistics may also be released in the post auction results report.

B. Financial Settlement

Financial settlement will begin once the ARB's Executive Officer has certified the auction results. The Financial Services Administrator will settle for all allowances won in the auction. The financial settlement process will take place outside of the Auction Platform. The Auction Platform will send an email notification of the availability of your settlement invoice with the total cost of the allowances awarded, if any. This notification represents receipt of the settlement invoice and is the beginning of the seven (7) day period in which an auction participant is required to pay the amount due for allowances won.

As part of the financial settlement process, the Financial Services Administrator will:

- Notify each winning bidder of the auction settlement price, number of allowances purchased, total purchase cost, and the deadline and method for submitting payment.
- Collect cash payment from winning bidders within seven (7) days of notification of the auction results.
- Use the bid guarantee to cover payment for allowance purchases by any entity that fails to make cash payment within seven (7) days.
- Deposit auction proceeds from the sale of ARB allowances to the Greenhouse Gas Reduction Fund.
- Distribute auction proceeds to entities that consigned allowances for auction.

Once financial settlement is complete, ARB will transfer the number of allowances purchased into each winning bidder's Holding Account, and/or its Compliance Account, if needed to comply with the holding limit.

C. Cash Settlement

All final financial settlements must be made in cash by auction participants within seven (7) days of receipt of a settlement invoice in the Auction Platform. Bid guarantees held on account by the Financial Services Administrator will be used to cover payment for

allowances purchased by an entity or individual auction participant that fails to make cash payment within seven (7) days after receiving notification of auction results.

The wiring instructions for cash settlement will be included on your settlement invoice.

D. Return of Bid Guarantee

At the end of the auction, for winning bidders, all bid guarantee instruments in the form of letters of credit or bonds will be sent directly to the auction participants by the auction Financial Services Administrator based on the delivery instructions specified during the auction application process in the Auction Platform.

All cash bid guarantees will be applied against the final bid or settlement amount. If there is cash remaining on account with the Financial Services Administrator after the awarded allowances are settled, it will be returned to the auction participant based on the wire instructions specified during the auction application process in the Auction Platform.

For all other participants, bid guarantees in the form of letter of credit and bonds will be sent directly to the participants by the Financial Services Administrator based on the delivery instructions specified during the auction application process in the Auction Platform by no later than Wednesday, December 5, 2012. All cash guarantees will be returned via a wire transfer based on the delivery instructions specified during the auction application process in the Auction Platform.

In the event that the Air Resources Board determines that the auction is not certified and will not be re-run, then all bid guarantee instruments will be returned to the bidders.

GHG allowances will be transferred to each winning bidders account within two (2) days of the close of the auction. All winning bidders will be notified when this transfer is complete.