

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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- Reserve Sale Bidding
- Bidding Limitations
- Reserve Sale Conduct
- Market Monitoring

❖ Section III: Reserve Sale Results & Financial Settlement

- Purchase Determinations and Bid Fulfillment
- Reserve Sale Results
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- Question and Answer Session
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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

- 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.
- 2014 Reserve Sale Tier Prices:
 - Tier 1 USD \$42.38
 - Tier 2 USD \$47.68
 - Tier 3 USD \$52.98
- 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 can bid on allowances and pay the Settlement Price for each allowance awarded.
- Allowances awarded are transferred into an entity's General Holding Account.
- 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 posted – 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 2:00 PM PT / 5:00 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 notice of reserve sale results released	3 business days after reserve sale	12:00 (Noon) PM PT / 3:00 PM ET
Notification of the availability of reserve sale results sent 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 2:00 PM PT / 5:00 PM ET
Transfer of allowances into CITSS 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)

- An entity must have an approved CITSS account before participating in a reserve sale.
- Individuals that are authorized to submit an application or confirm an intent to bid for the entity must be approved as either the Primary Account Representative (PAR) or an Alternate Account Representative (AAR).
- The entity must indicate an interest to participate by selecting the “Auction Participation” box on the Auction Tab in CITSS.

Administrative Requirements: Select CITSS “Auction Participation” Box

To be able to participate in a reserve sale, all entities:

- Must indicate the entity’s intent to participate in an upcoming auction or reserve sale by selecting the “Auction Participation¹” box in CITSS.
 - If box is already selected, no further action in CITSS is needed.
- To select the “Auction Participation” box in CITSS, step-by-step instructions are provided in CITSS User Guides. Contact CITSS Help Desk for further questions. Contact information is provided at the end of this presentation.

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 to apply, post bids, review results, and download reports for a reserve sale.
- Representatives that intend to act on an entity's behalf to submit an application or submit bids 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 support@markit.com.
- The account activation email will contain an activation link for the representative to activate his or her Auction Platform account by establishing security questions and an account password.
 - The activation link can only be used once and expires within 24 hours.
- 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 Market 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 Limits
 - Reserve Sale Conduct
 - Market Monitoring

Reserve Sale Participation Process: Steps 1 - 4

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

- **Step 1:** Reserve Sale Application or Confirmation of 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

- If an entity has not previously been approved to participate in a reserve sale, a PAR or AAR must submit a reserve sale application through the Auction Platform.
- If an entity has previously been approved to participate in an auction or reserve sale, a PAR or AAR must confirm the entity's intent to bid through the Auction Platform.
- For simplicity, the Auction Platform uses the term “application” whether an initial reserve sale application or an intent to bid is being confirmed.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

- To apply to participate in the reserve sale or confirm an intent to bid, a PAR or AAR must complete the following steps in the Auction Platform:
 - **Step 1a:** Confirm intent to bid in the reserve sale
 - **Step 1b:** Verify entity and account representative information
 - **Step 1c:** Submit bid guarantee form and return instructions
 - **Step 1d:** Complete attestation and submit reserve sale application
- An application must be submitted or intent to bid confirmed in the Auction Platform by a PAR or AAR by no later than the date and time 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 Pages, 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 displays the 'Auction & Reserve Sale Platform' website. The top navigation bar includes 'Home', 'Resources', 'Archive', 'Application' (highlighted with a red circle), and 'Auction'. The 'Application' tab is circled in red. The main content area features a welcome message: 'Welcome to the GHG Allowance Auction & Reserve Sale Platform'. Below this, a section titled 'The next Quarterly Auction will be held on April 29, 2014' includes a digital countdown timer showing 00:20:38 (Days, Hours, Mins). A table lists the 'Announced Reserve Price' as \$11.34 USD and \$11.41 CAD, with a link to 'Auction Reserve Price Determination Explanation'. The page is divided into two columns: 'Auctions Welcome' and 'About the Platform'. The 'Auctions Welcome' section describes the auction process, while 'About the Platform' features a video player. On the right side, there are sections for 'REPORTS' (with 'Auction' selected as the document type) and 'AUCTION HIGHLIGHTS' (listing notices for May 16, 2014).

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Auction Platform Example: Application Pages

- A PAR or AAR from an entity will need to access the Auction Platform to complete the entity application or intent to bid confirmation process.

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: Apply or Confirm Intent to Bid

- The representative will select the appropriate reserve sale event from the drop down menu and select the “Confirm & Continue” button.

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

Below the process bar is a form titled "Do you intend to bid?". The form contains the following elements:

- A heading: "Do you intend to bid?"
- A text prompt: "Our entity intends to bid in the upcoming auction or reserve sale:"
- A dropdown menu labeled "Select Auction" with a downward arrow. The dropdown is open, showing "Select Auction" with a blue checkmark and "Joint Auction 3 April 2014".
- A "Please note" section: "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." (partially visible).
- Three buttons at the bottom: "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. Confirm the accuracy of the data.
- Auction Platform Example:

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

Verify your entity application information.

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

Back Cancel Confirm & Continue

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1b: Verify entity and account representative information

- If changes to reserve sale application information such as entity or account representative details are needed, changes must first be completed in CITSS.
- Material changes (e.g. entity's legal name) will require review and approval by the jurisdiction Registrar.
- To ensure information is accurately reflected in the Auction Platform, changes in CITSS must be approved prior to submission of the reserve sale application.
 - All changes must be approved and the application submitted by no later than the date and time listed in the Reserve Sale Schedule.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1c: Submit bid guarantee form 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: Submit bid guarantee form and return instructions

- Auction Platform Example: Form of Bid Guarantee

The screenshot shows a multi-step process bar at the top with five steps: 1. INTENT TO BID, 2. ENTITY APPLICATION INFORMATION, 3. AUTHORIZED USER DETAILS, 4. BID GUARANTEE (highlighted in green), and 5. ATTESTATION. Below the 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: Submit bid guarantee form 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 type="text"/>	<input type="text"/>
Beneficiary Bank Name	Beneficiary Bank's Routing Number
<input type="text"/>	<input type="text"/>
Additional Details <small>MAX 250 CHARACTERS</small>	
Explanation <input type="text"/>	

Return Instructions for Bond or Irrevocable Letter of Credit	
<input type="checkbox"/> Same as mailing address	
Entity Legal Name	Individual Name
<input type="text" value="Company 123"/>	<input type="text"/>
Street Address	Street Address 2
<input type="text"/>	<input type="text"/>
City	State
<input type="text"/>	<input type="text"/>
Country	Zip Code
<input type="text" value="Select Country"/>	<input type="text"/>
Phone	
<input type="text"/>	<input type="text"/>

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1d: Complete attestation and submit reserve sale application

- The final step of the application or confirmation of intent to bid process is to complete the attestation.
 - If disclosures or updates to previously submitted information are needed, a representative can download a form for submitting the required information from the ARB CITSS webpage.
- After selecting an answer to the attestation, 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 and submit reserve sale application

- Auction Platform Example: Attestation & Submit Application

The screenshot shows a web form for the 'Attestation' step of a reserve sale application process. At the top, a progress bar indicates five steps: 1. INTENT TO BID, 2. ENTITY APPLICATION INFORMATION, 3. AUTHORIZED USER DETAILS, 4. BID GUARANTEE, and 5. ATTESTATION. The current step, 'ATTESTATION', is highlighted with a green circle and a downward arrow. The main content area contains the question 'Do you attest that all information is correct?' followed by a bolded instruction: 'The following attestation is required.' Below this is a paragraph of text: 'I certify that the entity has not been the subject of any previous or currently pending investigations related to any alleged violation of any law, rule, or regulation in connection with any commodity market, exchange, or by the Securities and Exchange Commission or Commodity Futures Trading Commission.' There are two buttons: 'Yes' (highlighted in green) and 'No'. Below the buttons is a text input field labeled 'Explanation'. At the bottom of the form, there is a checkbox labeled 'I have read and accept the Auction and Reserve Sale Terms of Use and Privacy Policy.' and three buttons: 'Back', 'Cancel', and 'Submit'.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1d: Complete attestation and submit reserve sale application

- Confirm Submission

The screenshot displays the 'Auction & Reserve Sale Application' interface. At the top, a progress bar shows five steps: INTENT TO BID, ENTRY APPLICATION INFORMATION, AUTHORIZED USER DETAILS, BID GUARANTEE, and ATTESTATION. The 'ATTESTATION' step is currently active. The main content area asks, 'Do you attest that all information is correct?' and includes a section for 'The following attestation is required.' Below this, there is a text area for providing an explanation if the answer is 'No'. A 'Confirm Application Submission' dialog box is overlaid on the page, asking, 'Are you sure you want to submit this application? You will not be able to modify your application after submission.' The dialog has 'Close' and 'OK' buttons. On the right side, the 'APPLICATION STATUS' section shows 'OK Auction / WCI' as 'APPROVED' and 'WCI Now Linked Auction' as 'PENDING SUBMISSION'. An 'APPLICATION QUICK GUIDE' section is also visible on the right.

Reserve Sale Participation Process

Step 1: Reserve Sale Application

Step 1d: Complete attestation 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 application submission 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 shows the message "Application Submitted" with a "Review Submission" button. A bold heading states "Your application has been submitted." followed by two paragraphs of text: "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." and "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" section for "Joint Auction 3 NEW April 2014" with a "REVIEW" link. Below this, a blue button with a green checkmark icon and the text "SUBMITTED" is displayed.

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 or confirmation of intent to bid has been submitted, the Financial Services Administrator will complete the process to establish (first time 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.
 - 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.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2b: Download Financial Services Delivery Instructions

- The email received when a financial services account is established or verified will direct the account representatives to download the Financial Services Delivery Instructions from the Auction Platform.
- 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.

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

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

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](#)

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.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit bid guarantee to Financial Services Administrator

- Bidders submit a single bid guarantee that is used first to satisfy purchases in the lowest-priced tier. Any remaining bid guarantee is subsequently applied to sales in higher-priced tiers in succession.
- *Bid guarantee determination example:*

Entity Name	Tier Price	Bid Lots	Number of Allowances	Bid Value ¹
A	\$ 42.38	500	500,000	\$ 21,190,000
A	\$ 47.68	300	300,000	\$ 14,304,000
A	\$ 52.98	100	100,000	\$ 5,298,000

- *Recommended bid guarantee for Entity A is \$40,792,000.*

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit bid guarantee to Financial Services Administrator

Bid Guarantee Requirements: Submitting cash bid guarantee

- Cash wire transfers must be received by the deadline provided in the Reserve Sale.
- Instructions on how to submit a cash bid guarantee through wire transfer will be provided in the entity's Financial Services Delivery Instructions.
 - The Financial Services Delivery Instructions are downloaded from the Auction Platform after the PAR and AARs have received email notification that a Financial Services Account has been established or verified.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit bid guarantee to Financial Services Administrator

Bid Guarantee Review

- 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 that intend to submit a physical bid guarantee instrument are encouraged to remit it as soon as the PAR and AARs are notified that the entity's financial services account has been established or verified by the Financial Services Administrator.
- The Financial Services Administrator will review and communicate to the entity representatives any deficiencies with bid guarantees submitted.

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.
 - If a final bid guarantee is not submitted by the deadline, the reserve sale application will be rejected.

Reserve Sale Participation Process

Step 2: Submit Bid Guarantee

Step 2c: Submit bid guarantee to Financial Services Administrator

Bid Guarantee Revisions

- If a submitted bid guarantee needs to be revised:
 - The entity would be notified by the Financial Services Administrator.
 - The entity would contact their financial institution and request an amendment to their bid guarantee.
 - An amendment **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.
- Emailed, scanned, and PDF versions of a bid guarantee or bid guarantee amendment will not be accepted as a bid guarantee.

Reserve Sale Participation Process

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

- Once ARB approves or rejects an entity 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 from auctionsupport@markit.com will be sent within two business days of the scheduled reserve sale date as to whether 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 by either a green or red light.
 - 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

- Reserve Sale bidding window will be open 3 hours
- Bids can only be submitted during 3-hour bidding window, as provided in the Reserve Sale Notice.
- Bids must be submitted in one of three tiers.
- Each tier has a predetermined tier price, as provided in the Reserve Sale Notice.
- Bid quantities can only be submitted in multiples of 1,000 GHG APCR allowances.
- For each bid the following must be entered:
 - Tier
 - Number of Bid Lots (1 lot = 1,000 GHG allowances)

Reserve Sale Bidding

- Bidders may submit bids manually or upload a bid schedule using the Bid Upload Template provided through the Auction Platform.
- Amendments to bids
 - Bids submitted can be revised or withdrawn during the 3-hour bidding window.
 - Once the bidding window closes, no further changes to bids or bid schedules are permissible.

Reserve Sale Bid Example

- When bidding in a reserve sale, a Tier and Bid Lots are entered for each bid.
- The Tier Prices are provided in the Reserve Sale Notice.
- The Bid Allowances is calculated as the number of Bid Lots X 1,000.
- The Bid Value is calculated as the Number of Allowances X Tier Price.
- There is no Vintage Year for APCR Allowances.

Entity Name	Tier Price	Bid Lots	Number of Bid Allowances	Bid Value
A	\$ 42.38	500	500,000	\$ 21,190,000
A	\$ 47.68	300	300,000	\$ 14,304,000
A	\$ 52.98	100	100,000	\$ 5,298,000

Reserve Sale Bidding

Auction Platform Example: Manual Bid Entry

- To manually submit a single bid, select the “Add Bid” button.

The screenshot displays the WCI Auction & Reserve Sale Platform interface. At the top, the WCI logo and platform name are visible, along with user information for Utility#1, BB Jones. The navigation menu includes Home, Resources, Archive, Application, and Reserve Sale (highlighted). A status indicator shows "AUCTION IS OPEN".

The main content area shows "Reserve_Sale_Test2_20 Details" with three tiers:

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

Below the tiers, a bidding countdown shows "Bidding Closes In 17:22:15" with a progress bar. To the right, the current time is 13:37:43 (PT) and 16:37:43 (ET).

The "Submitted Bids" section includes "Add Bid" and "Upload Bids" buttons. A table lists the submitted bid:

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

A "QUICK TIPS" box provides instructions: "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 bid."

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 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.

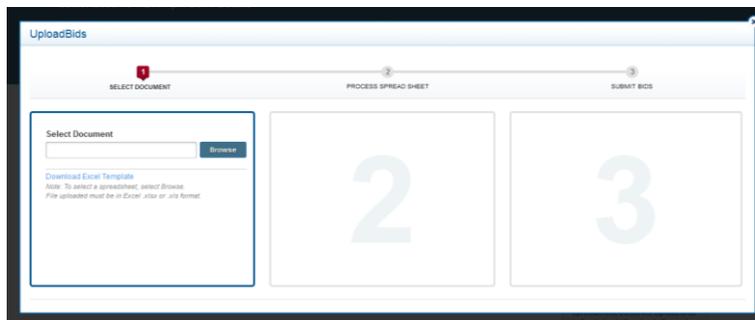
	A	B	C	D
1	 Auction and Reserve Sale Platform			
2	Auction Bid Upload Template			
3				
4	Currency:	Select the currency in which you would like to bid from the drop down.		
5	Bid Tier:	Select the tier you want to bid in.		
6	Bid Lots:	Enter the number of lots. Each lot is 1,000 allowances.		
7	Bid Allowances:	Total Bid Allowances is calculated as Bid Lots multiplied by 1,000.		
8				
9	Currency	Bid Tier	Bid Lots	Bid Allowances
10				
11				
12				
13				

Reserve Sale Bidding

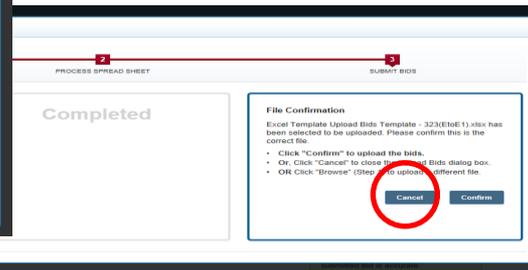
Auction Platform Example: Bid Schedule Upload Process

- 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 – Confirm the spreadsheet and Submit the bids uploaded from the selected spreadsheet

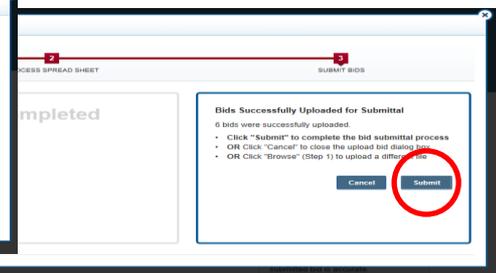
Step 1: Browse & Select (Step 2 completes automatically)



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 'Upload Bids' interface with a progress bar at the top indicating three steps: 1. SELECT DOCUMENT, 2. PROCESS SPREADSHEET, and 3. SUBMIT BIDS.

Step 1: SELECT DOCUMENT

- Upload Bids Template - 255_AD UAT 10-11-2
- [Download Excel Template](#)
- Note: After adding event data, save the template as an .xls or .xlsx file

Step 2: PROCESS SPREADSHEET

Completed

Step 3: SUBMIT BIDS

Submit Bids
25 bids were uploaded successfully.

Bid Upload Failed

Bid Upload failed due to one or more of 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).

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 displays the user interface of the GHG Allowance Auction & Reserve Sale Platform. At the top, a navigation bar includes links for Home, Resources, Archive, Application, and Auction, along with a status indicator 'AUCTION IS CLOSED'. A large blue banner reads 'Welcome to the GHG Allowance Auction & Reserve Sale Platform'. Below this, the page is divided into three main sections: 'Auctions Welcome', 'About the Platform', and a 'REPORTS' sidebar. The 'Auctions Welcome' section provides a detailed description of the auction process. The 'About the Platform' section features a video player with a play button and two video titles: 'Joint Auction 3 NEW April 2014' and 'Joint Auction 4 April 2014'. The 'REPORTS' sidebar on the right contains a 'Document Type' dropdown set to 'Auction' (with 'Template' as an alternative), a 'Report or Document' dropdown menu, and an 'XML' checkbox. The 'Report or Document' menu is open, showing options for 'Organization Results', 'Bids Audit' (which is highlighted in green), and 'Financial Statement'.

Reserve Sale Bidding

Example Bids Audit Report

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

Update Type	Update Time	Update By	Account Holding Number	Client Bid ID	Transaction ID	Currency	Tier	Tier Cost	Bid Lots	Total Allowances
Created	12:14:21 PT	johnsmith@company.com	CAXXXX-XXX	90A3	5118	USD	1	\$42.38	10	10,000
Created	12:15:66 PT	normajean@company.com	CAXXXX-XXX	70B2	5337	USD	2	\$47.68	5	5000
Updated	12:25:55 PT	johnsmith@company.com	CAXXXX-XXX	70B2	5899	USD	3	\$52.98	50	500,000
Created	14:44:12 PT	fsmith@company.com	CAXXXX-XXX	80B3	4556	USD	2	47.68	45	45,000

Bidding Limitations

- Reserve sale bids are rejected in lots of 1,000 if they:
 - Exceed the entity's holding limit; or
 - Exceeds the value of the bid guarantee.
- Rejected bid quantities are not considered when making purchase determinations for a reserve sale.

Bidding Limitations - Example

Bid Limitations Example: Entity A

Holding Limit	6,447,500
Bid Guarantee	\$25,000,000

Submitted Bids

Tier	Tier Price	Bid Lots	Number of Allowances	Bid Value
1	\$42.38	500	500,000	\$21,190,000
2	\$47.68	300	300,000	\$14,304,000

Qualified Bids

Tier	Tier Price	Bid Lots	Number of Allowances	Bid Value
1	\$42.38	500	500,000	\$21,190,000
2	\$47.68	79	79,907	\$3,809,965

Following completion of the sale of Tier 1 allowances, the portion of the bid guarantee remaining is \$3,810,000.

Bids placed in Tier 2 bid value is greater than the remaining bid guarantee. Bids would be accepted in lots of 1,000 until the bid guarantee limitation is exceeded.

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.

Bidding Limitations: Holding Limits

Example Holding Limit

- To calculate an entity's holding limit, determine the following:

Holding Limit = $0.1 * \text{Base} + 0.025 * (\text{Annual Allowance Budget} - \text{Base})$

- “Base” equals 25 million metric tons of carbon dioxide equivalent (CO₂e)
- “Annual Allowance Budget” is the number of allowances issued for the current budget year
- For 2014, the annual allowance budget for California and Québec is 182,900,000 allowances
- Example Holding Limit
 - $0.1 * 25,000,000 + 0.025 * (182,900,000 - 25,000,000)$
 - 2014 Holding Limit = 6,447,500 allowances

Bidding Limitations: Holding Limits with Limited Exemption

- Covered entities may exclude a limited number of allowances from the holding limit calculation by placing them in 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 holding limit.

Bidding Limitations: Holding Limit Determination

Holding Limit Determination with Limited Exemption

- Holding Limit Determination =
6,447,500 + [Limited Exemption - allowances in the Compliance Account]
- If an entity's Limited Exemption is equal to 4,000,000 metric tons and it holds 1,000,000 allowances in its Compliance Account:
 - Holding Limit = 6,447,500 + [4,000,000 – 1,000,000] = 9,447,500 allowances.
- If an entity's Compliance Account balance is 4,500,000 allowances:
 - Holding Limit = 6,447,500 + [4,000,000 – 4,500,000] = 5,947,500.

Bidding Limitations: Management of Holding Limits

- 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 only 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.

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, auction 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.
- All reserve sale applicants are required to inform their respective jurisdictions of the retention of an advisor or consultant, as specified in Attachment A of the Reserve Sale Notice.

Market Monitoring

- ARB staff and the Market Monitor are actively monitoring 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 Participant Training Agenda

❖ Section III: Reserve Sale Results & Financial Settlement

- Purchase Determinations
- Reserve Sale Results
- Financial Settlement
- Question & Answer Session
- 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.

Purchase Determination and Bid Fulfillment with a Tie Breaker - Example

Entity Name	Tier Price	Tier 1 Bid Lots	Qualified Tier 1 Allowances	Share	Total Allowances Sold
A	\$ 42.38	500	500,000	0.34482759	344,827
B	\$ 42.38	750	750,000	0.51724138	517,241
C	\$ 42.38	200	200,000	0.13793103	137,932
Total		1,450	1,450,000	1.0	1,000,000

- Total allowances in Tier = 1,000,000
- No holding limit violations or bid guarantee violations
- Entity A, B, and C awarded allowances based on their share of total qualified bids
- 1 residual allowance awarded to Entity C based on random number assignment

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.

Purchase Determination and Bid Fulfillment with a Roll Down

Entity Name	Tier Price	Bid Lots	Qualified Bid Allowances
A	\$ 47.68	300	300,000
B	\$ 47.68	500	500,000
C	\$ 47.68	100	100,000
Tier 2 Total		900	900,000
A	\$ 52.98	100	100,000
B	\$ 52.98	300	300,000
C	\$ 52.98	50	50,000
Tier 3 Total		450	450,000

- Total allowances in each Tier = 1,000,000
- No bid guarantee or holding limit violations
- Tier 2 has an excess of 100,000 allowances
- Random numbers assigned to each of 450 bid lots from Tier 3
- Excess Tier 2 allowances sold starting with the bid lot assigned the lowest random number and proceeding in increasing order
- Price is Tier 2 price.

Purchase Determination and Bid Fulfillment with a Roll Down

Entity Name	Tier Price	Tier 2 Bid Lots	Qualified Tier 2 Allowances	Roll-Down Tier 3 Allowances	Tier 2 Allowances Sold
A	\$ 47.68	300	300,000	29,000	329,000
B	\$ 47.68	500	500,000	59,000	559,000
C	\$ 47.68	100	100,000	12,000	112,000
Total		900	900,000	100,000	1,000,000

- The 450 Tier 3 bid lots are ranked in ascending order of their assigned random number.
- The 100 Tier 3 bid lots with the lowest random number will be sold in Tier 2.
- In this example, 29 bid lots are from Entity A bids, 59 from Entity B bids, and 12 from Entity C bids.
- The 1,000,000 allowances sold in the Tier 2 sale are sold at a price of \$47.68 regardless of the tier in which the bid was originally submitted, including qualified Tier 3 bids sold allowances from Tier 2.

Reserve Sale Results: Summary Results Report

- The public results report for the reserve sale will be posted on the ARB website and the WCI, Inc. website.
 - The date the posting is anticipated is 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 and WCI, Inc. website providing the new time for the release of the reserve sale results.
- The 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: Notification of Entity Results

- Reserve sale participants will receive an email from auctionsupport@markit.com to notify them that results are available for the reserve sale.
- The results email will include notification to download the entity's Organization Results Report from the Auction Platform.
 - Additionally, a Financial Statement is available for download in the Auction Platform which is the entity's financial settlement invoice.
- Receipt of the email informing the entity of the availability of the Organization Results Report constitutes delivery of the financial settlement invoice.

Financial Settlement

Auction Platform Example: Organization Results Report & Financial Statement

- Successful 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, a 'Welcome' section contains introductory text about the auction process. The central '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, showing a 'Document Type' dropdown set to 'Auction' and a 'Report or Document' dropdown menu. The menu options are 'Select', 'Organization Results', 'Bids Audit', and 'Financial Statement', with 'Financial Statement' highlighted in green. Below the reports menu, there are sections for 'AUCTION HIGHLIGHTS' and 'NOTICES' with a 'VIEW ALL' link.

Financial Settlement: Organization Results Report

The Organization Results Report for a reserve sale includes:

- Reserve Sale Information
 - Tier Prices
 - # of Successful Bids by Tier
 - Total Bid Cost
- Account Information
 - Financial Services Account Name and Number
 - CITSS General Account Number
 - Bid Guarantee
 - Amount Due to Financial Services Administrator
 - Financial Services Delivery Instructions (including wiring instructions)
- Bid Information
 - Tier Price
 - Successful Bids by Tier
 - Total Bid Cost by Tier
 - Sum of Total Bid Cost (All Tiers)

Financial Settlement

- Successful 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.
- Successful bidders that submitted a physical bid guarantee must submit cash as financial settlement for the amount owed no later than 7 days after certification of a reserve sale.
- No bank/cashiers checks will be accepted.
 - Checks received will be returned and the bid guarantee will be drawn down to settle the invoice.
- The Financial Services Administrator will draw down physical bid guarantees to cover any amounts due but not received 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 successful bidders that submitted a cash bid guarantee, any unused cash bid guarantee will be returned no later than 12 business days after a reserve sale is certified.
- For successful bidders that submitted a physical bid guarantee instrument, the physical bid guarantee instrument will be returned after payment for the amount owed is received by the Financial Services Administrator, expected to be no later than 15 business days after a reserve sale is certified.

Contact Information: Auction and Financial Administration Services

- **Auction Administrator:** Markit North America, Inc.
 - Email support: auctionsupport@markit.com
 - Call from 8 AM to 6 PM PT (877) 762-7548
- **Financial Services Administrator:** Deutsche Bank National Trust Company
 - Email support: db.wcisupport@db.com
 - Call from 8 AM to 5 PM ET (212) 250-6645

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 at: (916) 322-7072
 - <http://www.arb.ca.gov/auction>