California Air Resources Board March 2013 Reserve Sale Bidders' Conference and Reserve Sale Participant Training Webinar

Thursday, February 14, 2013

10:00 AM – 12:00 PM

Bidders' Conference Agenda

- Introduction
- Reserve Sale Summary
- Comparison of Auctions and Reserve Sales
- Reserve Sales Process and Participation
- Bid Guarantee Requirements
- Holding Limits
- Bid Limitations
- Purchase Determination - Bid Fulfillment
- Market Monitoring
- Reserve Sales Results and Settlement
- Questions and Answer Session #1
- Auction Participant Training Session

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 auctions to allow market participants to acquire allowances directly from ARB.
- The Regulation provides for sales of allowances from the Allowance Price Containment Reserve (Reserve Sales).

Reserve Sale Summary

- 2013 Reserve Sale Schedule
  - First reserve sale date set in Regulation.
  - Subsequent reserve sales are 6 weeks after each quarterly auction.
- Administrative Requirements
  - Eligibility: California covered entities and opt-in covered entities
  - Entities must have an approved CITSS account
  - Entities must indicate interest to participate in the CITSS

Comparison of Auctions and Reserve Sales

- Reserve sales are only open to covered entities and opt-in entities.
- Entities can purchase allowances at fixed prices from three equal-sized tiers; it is an allowance sale, not an auction.
- Allowances purchased at an APCR sale are deposited directly into an entity's Compliance Account.
- Allowances purchased at an APCR sale are not associated with a particular vintage year.
- Application period shorter than for auctions.

Reserve Sale Process and Participation

- Reserve Sale Schedule
- Reserve Sale Format
- Reserve Sale Eligibility
- CITSS Auction Participation Selection
- Reserve Sale Process
- Reserve Sale Application or Intent to Bid
- Reserve Sale Bidding

March 2013 Reserve Sale Schedule

Activities	Date	Time
Reserve Sale application window opened in the Auction Platform	Wednesday, February 6, 2013	
Reserve Sale application window closes in the Auction Platform	Thursday, February 21, 2013	11:59 PM Pacific Time (PT)
All bid guarantees due to Financial Service Administrator	Wednesday, February 27, 2013	No later than 2:00 PM PT
ARB approves Reserve Sale participants and participants notified	Wednesday, March 6, 2013	No later than 5:00 PM PT
Reserve Sale held	Friday, March 8, 2013	Bidding window open from 10:00 AM – 1:00 PM PT

March 2013 Reserve Sale Schedule (cont.)

Activities	Date	Time
Public notice of reserve sale results released	Wednesday, March 13, 2013	12:00 (Noon) PT
Notification of financial settlement invoice sent to reserve sale participants	Wednesday, March 13, 2013	12:00 (Noon) PT
Financial settlement in cash due to Financial Services Administrator	Wednesday, March 20, 2013	No later than 2:00 PM PT
Financial settlement complete	Monday, March 25, 2013	
Transfer of allowances into CITSS Compliance Accounts	Wednesday, March 27, 2013	12:00 (Noon) PT

Reserve Sale Format

- Reserve Sale Format
  - Electronic, internet-based sale
  - Single round, sealed bid format
  - Bid quantities can only be submitted at tier prices and in multiples of 1,000 California GHG allowances

Reserve Sale Eligibility

- California covered entities and opt-in covered entities are eligible to participate in the March 2013 Reserve Sale.
- Prior to participating in a Reserve Sale, the entity must have an approved Compliance Instrument Tracking System Service (CITSS) account with a Primary Account Representative (PAR) and at least one Alternate Account Representative (AAR).
- PAR and/or AAR(s) are the only individuals that can be authorized to bid on behalf of the entity during the reserve sale.
- An entity representative must have indicated the entity's interest in participating by selecting the box on the Auction Tab accessible through the CITSS Account Detail button from any account page.

CITSS Auction Participation Selection

- To be able to participate in the March 2013 reserve sale, all entities:
  - Must indicate the entity's intent to participate in upcoming auctions and reserve sales by selecting the Auction Participation box in the CITSS.
  - The steps to select the Auction Participation box in the CITSS are:
    - Log into the CITSS (https://www.wci-citss.org)
    - Select the "View" button for your organizations General Account
    - Select the "Account Detail" button for your organization
    - Select the "Auction" tab
    - Select the "Auction Participation" box
  - If box is already selected, no action is needed.

Reserve Sale Process

- Step 1: Apply to participate in the reserve sale or confirm intent to bid
- Step 2: Participate in pre-reserve sale activities
- Step 3: Submit bid guarantee
- Step 4: Participate in the reserve sale
- Step 5: Access reserve sale results and remit payment

Reserve Sale Application or Intent To Bid

- Step 1: Apply to participate or confirm intent to bid in the reserve sale (PAR or AAR)
  - Step 1a: Confirm intent to bid
  - Step 1b: Verify entity and account representative information
  - Step 1c: Provide information on bid guarantee format
  - Step 1d: Complete attestation and submit reserve sale application
- A reserve sale application must be submitted or intent to bid confirmed in the Auction Platform by no later than 11:59 PM Pacific Time on Thursday, February 21, 2013.
- If entity or account representative needs to be updated, these updates must be completed in the CITSS.

Reserve Sale Application or Intent to Bid

- Once account information is transferred to the Reserve Sale Administrator to facilitate participation in the March 2013 reserve sale, all entities:
  - Must have all approved PAR and AARs that may bid in a reserve sale activate their Auction Platform account, or have previously activated an Auction Platform account
  - Must submit a reserve sale application or intent to bid in the Auction Platform by no later than 11:59 PM PT on Thursday, February 21, 2013
- If an entity has not previously been approved to participate in an auction or reserve sale, one representative 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, one representative must confirm the entity's intent to bid in the Auction Platform.

Reserve Sale Bidding

- Reserve Sale bidding window will be open 3 hours
  - Bids can only be submitted during 3-hour bidding window, scheduled to be 10:00 AM to 1:00 PM PT; March 8, 2013
  - Manual bid entry or upload of Excel bid schedule
  - Bids must be submitted in one of three tiers
  - Each has a predetermined tier price
  - Bid quantities can only be submitted in multiples of 1,000 GHG APCR allowances
- 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

Entity Bid Example

- When bidding in a reserve sale, the Bid Lots are entered for each Tier.
- The Bid Number of 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 Allowances	Bid Value
A	$ 40.00	500	500,000	$ 20,000,000
A	$ 45.00	300	300,000	$ 13,500,000
A	$ 50.00	100	100,000	$ 5,000,000

Bid Guarantee Requirements

- Financial guarantee instruments for the March 2013 reserve sale 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 bank bond issued by a financial institution with a U.S. banking license
- All bid guarantees must be sent directly to the Financial Services Administrator by February 27, 2013.

Determining Bid Guarantee

- 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
A	$ 40.00	500	500,000	$ 20,000,000
A	$ 45.00	300	300,000	$ 13,500,000
A	$ 50.00	100	100,000	$ 5,000,000

- Recommended bid guarantee for Entity A is $38,500,000.

Holding Limits

- 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.
- Holding limit does not apply to allowances held in the Limited Use Holding Account.
- NOTE: There are no purchase limits applied to a reserve sale.

Determining Your Holding Limit

Holding Limit Calculation

- Holding limits are based on the following formula:
  - Holding Limit = 0.1 * Base + 0.025 * (Annual Allowance Budget – Base)
    - "Base" equals 25 million metric tons of CO_2e
    - "Annual Allowance Budget" is the number of allowances issued for the current budget year.
      - For 2013 the annual budget is 162,800,000 allowances.
  - Holding Limit = 0.1 * 25,000,000 + 0.025 * (162,800,000-25,000,000)
  - 2013 Holding Limit = 5,945,000 allowances

Limited Exemption to the Holding Limit

- Covered entities may exclude a limited number of allowances from the holding limit calculation by placing them in their Compliance Account.
- Limited exemption is increased each year by the amount of 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 triennial surrender, by entity's total surrender obligation for the compliance period.

Limited Exemption Determination

Limited Exemption from the Holding Limit Calculation

- Holding Limit = 5,945,000 + [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 = 5,945,000 + [4,000,000 – 1,000,000] = 8,945,000 allowances.
- If the entity's Compliance Account balance is 4,500,000 allowances:
  - Holding Limit = 5,945,000 + [4,000,000 – 4,500,000] = 5,445,000.

Bid Limitations

- Bids accepted in lots of 1,000:
  - if acceptance would not result in a violation of the holding limit;
  - if acceptance would not result in exceeding the bid guarantee;
  - if the bid entered is for a quantity less than or equal to the number of allowances available for sale in that tier.
- Bid rejected if it does not constitute an offer to purchase allowances
  - Bid for zero lots
  - Bid submitted with $0 bid guarantee submitted

Bid Limitations (Cont.)

- If a bid is not accepted due to the holding limit or exceeding the bid guarantee, the bid that would exceed the limit is accepted in lots of 1,000 until bid limitations are no longer met.
- Bid guarantee remaining after the lowest-priced tier purchases are satisfied is subsequently applied to higher-priced tiers in succession.
- Holding limits are evaluated based on allowance holdings the day prior to the reserve sale, anticipated to be extracted at approximately Noon PT.
- Account holders are responsible to ensure that there will be no holding limit violation once allowances are transferred after settlement.

Basic Bid Limitations Example

Bid Limitations Example: Entity A

Holding Limit	5,945,000
Bid Guarantee	$25,000,000

Submitted Bids

Tier	Tier Price	Bid Lots	Allowances	Bid Value	Cumulative Bid Value
1	$40.00	500	500,000	$20,000,000	$20,000,000
2	$45.00	300	300,000	$1,680,000	$13,500,000

Qualified Bids

Tier	Tier Price	Bid Lots	Allowances	Bid Value	Cumulative Bid Value
1	$40.00	500	500,000	$20,000,000	$20,000,000
2	$45.00	111	111,000	$4,995,000	$24,995,000

- Following completion of the sale of Tier 1 allowances, the portion of the big guarantee remaining is $5,000,000.
- Bids placed in Tier 2 cumulative value is greater than the remaining bid guarantee. Bids would be accepted in lots of 1,000 until the bid guarantee limitation is exceeded.

Purchase Determination - 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.

Bid Fulfillment with a Tie Breaker

- Qualified bids exceeds the quantity of allowances
  - 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 assigned a random number. The entity with the lowest random number is sold the first residual allowance, and remaining residual allowances are sold individually using lowest to highest random number.

Bid Fulfillment with a Tie Breaker Example

Entity	Tier Price	Tier 1 Bid Lots	Qualified Tier 1 Allowances	Proportion	Total Allowances Sold
A	$ 40.00	500	500,000	0.34482759	344,827
B	$ 40.00	750	750,000	0.51724138	517,241
C	$ 40.00	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 bid guarantee or holding limit 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

Bid Fulfillment with a Roll Down

- Qualified bids are less than the quantity of allowances available for sale in a tier, the tier is undersubscribed.
  - All qualified bids placed for the tier are filled.
  - The Reserve Sale Administrator will sell the remaining allowances 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 sold to bidders, starting with the bundle assigned the lowest random number and proceeding in increasing order until all allowances in the lower-priced tier are sold
    - Bids can roll-down one tier, but cannot roll-down from the highest-price tier to the lowest-price tier

Bid Fulfillment with a Roll Down

Entity	Tier Price	Tier Bid Lots	Qualified Tier Allowances
A	$ 45.00	300	300,000
B	$ 45.00	500	500,000
C	$ 45.00	100	100,000
Tier 2 Total		**900**	**900,000**
A	$ 50.00	100	100,000
B	$ 50.00	300	300,000
C	$ 50.00	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

Bid Fulfillment with a Roll Down

Entity	Tier Price	Tier 2 Bid Lots	Qualified Tier 2 Allowances	Roll Down Tier 3 Allowances	Allowances Sold
A	$ 45.00	300	300,000	29,000	329,000
B	$ 45.00	500	500,000	59,000	559,000
C	$ 45.00	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 $45 regardless of the tier in which the bid was originally submitted

Bid Fulfillment with a Roll Down

Entity	Tier Price	Tier 3 Bid Lots	Qualified Tier 3 Allowances	Allowances Sold
A	$ 50.00	100	71,000	71,000
B	$ 50.00	300	241,000	241,000
C	$ 50.00	50	38,000	38,000
Total		**450**	**350,000**	**350,000**

- The reserve sale continues until either all the allowances in the three tiers are sold or all accepted bids are fulfilled.
- Tier 3 qualified bids take into account any bid lots that were rolled down and fulfilled in Tier 2.
- Each entity has their entire Tier 3 qualified bid filled.
- Additionally, there are 650,000 allowances that will remain in Tier 3 of the APCR to be offered for sale in subsequent reserve sales.

Market Monitoring

- ARB staff are actively monitoring the auctions, reserve sales, and market activities.
- The Market Monitor will work with ARB to evaluate auctions, reserve sales, and market activities.
- During a reserve sale, the Market Monitor will review bidding activity and work with ARB to identify any bidding or trends of concern that may indicate manipulative or anti-competitive bidding behavior.
- After the reserve sale, the Market Monitor will review and report to ARB on monitoring results.
- The Market Monitor will also review activity in the secondary markets.
- ARB staff provide final reserve sale monitoring results to the Executive Officer.

Reserve Sale Results

- The public reserve sale results report for the March 2013 reserve sale will be posted on the ARB website and the WCI, Inc. website once the reserve sale has been certified.
  - The posting is anticipated to occur at 12:00 (Noon) on Wednesday, March 13th.
  - 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 reserve sale results report provides general results and statistics of the reserve sale.

Reserve Sale Results (cont.)

- 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 qualified bidders.

Reserve Sale Results (cont.)

- Reserve sale participants will receive an email from auctionsupport@markit.com to notify them that results are available for the reserve sale.
- The reserve sale results email will include notification to download your Organization Results Report (financial settlement invoice) from the Auction Platform.

Financial Settlement

- Successful bidders should download their Organization Results Report (settlement invoice) from the Auction Platform and submit the financial settlement amount no later than March 20th.
- The Financial Services Administrator will draw/liquidate the bid guarantees to cover any amounts due but not received from a successful bidder on March 20th, by 2:00 PM PT.
- Wiring instructions can be downloaded from the Auction Platform in the reports and templates module.
- No bank/cashiers checks will be accepted
  - Any checks received will be returned and the Financial Services Administrator will draw on the bid guarantee to settle the invoice.

Questions and Answers
-Please submit questions in writing through the webinar software

End -
Bidders' Conference Presentation

Auction Participant Training Presentation

March 2013 Reserve Sale

Thursday, February 14, 2013

Bidders Conference and Training Webinar Agenda

- Auction Platform
  - Overview
  - Auction Platform Emails
  - Auction Platform Account Activation
  - Reserve Sale Participation Overview
  - Reserve Sale Application and Intent to Bid
  - Bid Submission
  - Reserve Sale Results
- Financial Services Administration
- Resources and Training Materials
- Questions and Answer Session #2

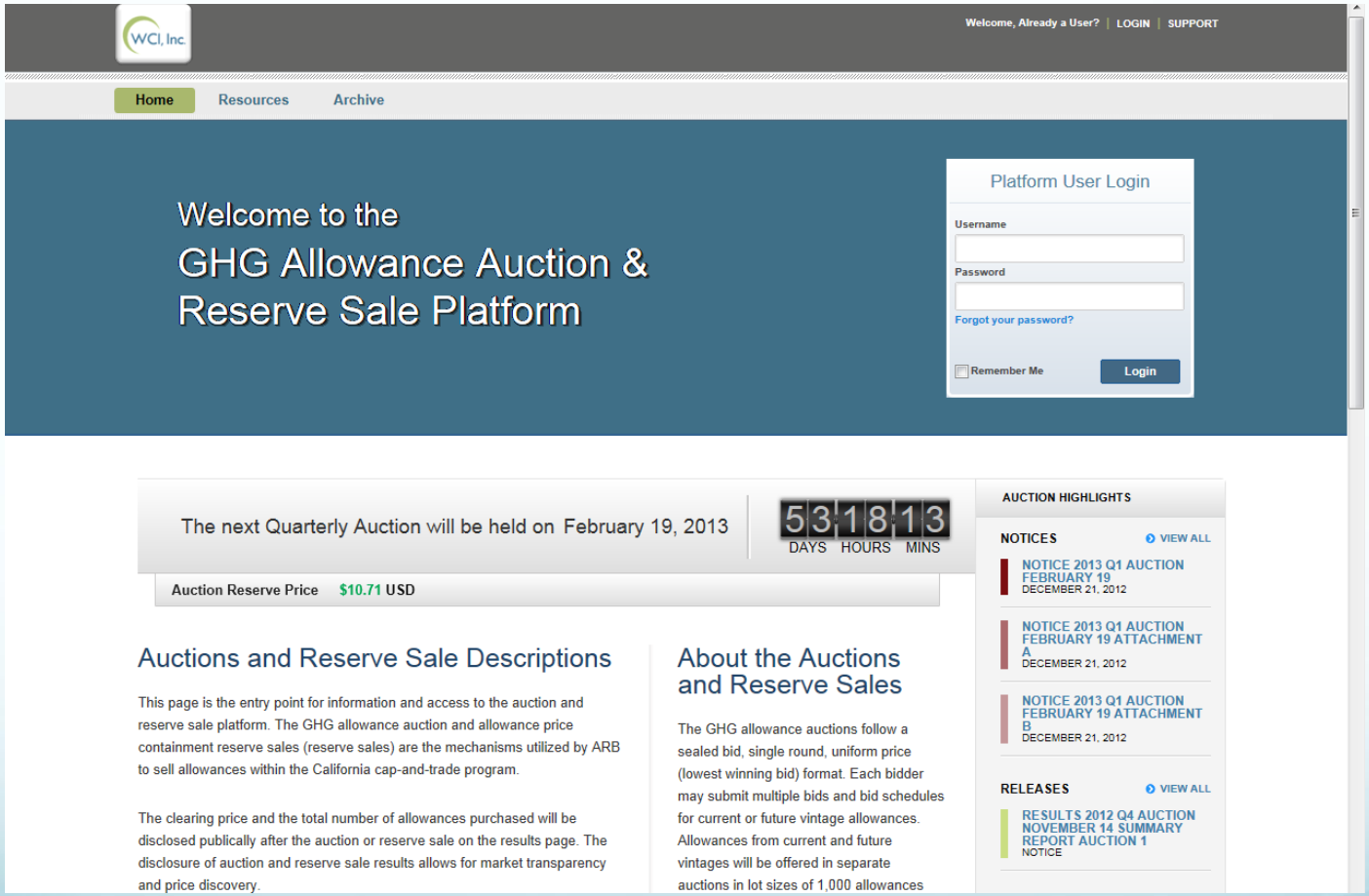
Auction Platform Overview

- The Auction Platform has been designed to provide a state-of-the-art auction and reserve sale application for California's Cap-and-Trade Program.
- The Auction Platform is the central platform for administration of auction and reserve sales that has been designed and developed to integrate with the other platforms.
- The Auction Platform allows participants to apply for, post bids to, and review results for the auction and reserve sales.

Auction Platform Overview (cont.)

- Once the reserve sale application period is open, the representatives (PAR and AARs) will be able to access the Auction Platform to complete an application or submit an intent to bid for the entity.
  - If the representative has previously activated an Auction Platform account, they will use their established credentials to access the platform and conduct activities on behalf of all entities they represent.
  - Representatives that are first time participants will receive an account activation email.

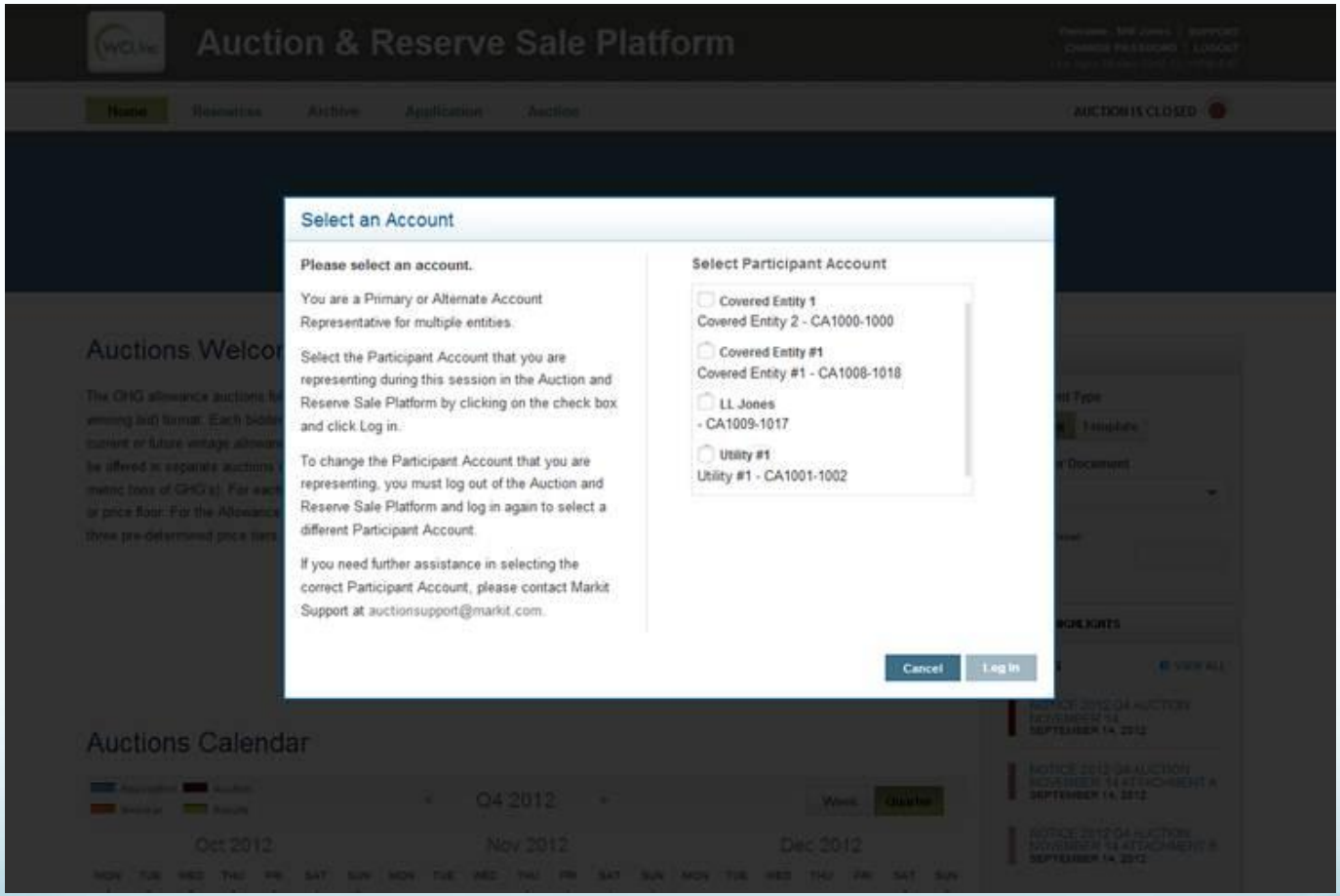
Auction Platform Overview (cont.)



Auction Platform Accounts

- Multiple entity associations per individual user.
- Passwords must be updated every 60 days.
  - Update your password using the links on the secure content areas.
  - Individuals will be prompted prior to the 60 day expiration to update the password or required to after 60 days.
  - If a password is forgotten, you can access the “Forgot Password” link on the public page, answer the security questions, and receive a new activation link to reset your password.
- Auction Platform requires each individual to establish security questions.

Representatives of Multiple Entities



Auction Platform Emails

- Account Activation for Auction Platform
- Entity Application Received
- Entity Application Reviewed and Financial Services Administrator Account Established
- Bid Guarantee Received
- Entity Application Approval (or Denial)
- Reserve Sale Results Available
- Reserve Sale Final

Auction Platform Account Activation

- A participant (representative) with an Auction Platform account that was established during a prior auction can log into the Auction Platform with the user name and password previously established.
- A first time representative receives an Account Activation for Auction Platform email from auctionsupport@markit.com.
- The account activation email will contain a link to the Auction Platform – “Set Password” page where the representative will activate their Auction Platform account. The link will expire within 24 hours.
- Once your password is set, a user will be directed to the Auction and Reserve Sale Landing Page (https://www.wci-auction.org) and can log into the Auction Platform.

Auction Platform Account Activation

WCI, Inc.

Hello from Auction Administrator

We are pleased to invite you to review and confirm your application details and confirm your intent to bid in the upcoming [Auction or Reserve Sale Name].

To activate your account, please click on the link below:
Activation Link

After clicking on the Activation Link above, you will be taken to the Auction Platform login page. Your username in the Auction Platform is your email address that this notification was sent to: John.Doe@Company.com.

Please note that for an entity, the Primary Account Representative and Alternate Account Representative must both click on the activation link in order to both receive email notifications and to be able to log into the Auction Platform. The Primary Account Representative or the Alternate Account Representative must submit an intent to bid and complete the auction application process in the Auction Platform.

If clicking the above link does not work, please copy and paste the link location into a new browser window. Please note that this link will expire in 24 hours. If you have received this email in error or have any other questions, please contact us at auctionsupport@markit.com.

Thank you

Markit Auction Administrator Support Team

Note: your username for the Auction Platform is the email address that the email invitation was sent to and NOT your CITSS username.

Reserve Sale Participation Overview

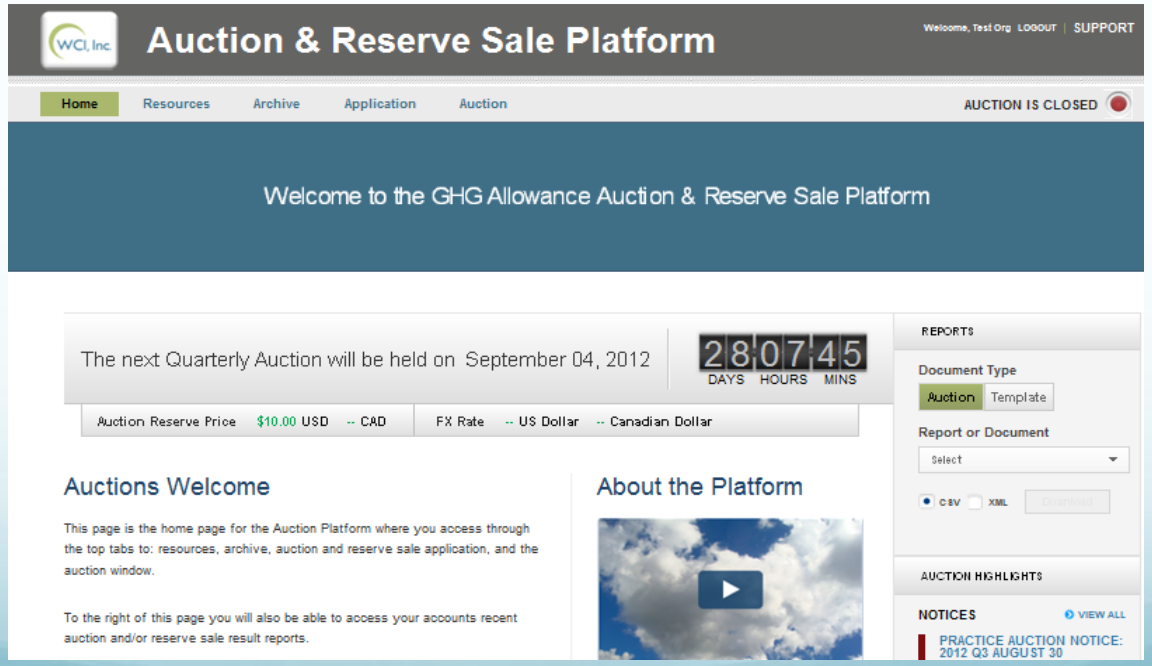
- Step 1: Apply to participate or confirm intent to bid in the reserve sale (PAR or AAR)
  - Step 1a: Confirm intent to bid
  - Step 1b: Verify entity and account representative information
  - Step 1c: Provide information on bid guarantee format
  - Step 1d: Complete attestation and submit reserve sale application
- Step 2: Participate in pre-reserve sale activities
- Step 3: Submit physical bid guarantee

Reserve Sale Participation Overview (cont.)

- Step 5: Participate in the reserve sale
- Step 6: Access reserve sale results
- Step 7: Financial Settlement

Reserve Sale Application or Intent to Bid

- Once you log into the Auction Platform you will be directed to the Auction Platform landing page and then you should proceed to the Application tab on the top banner.

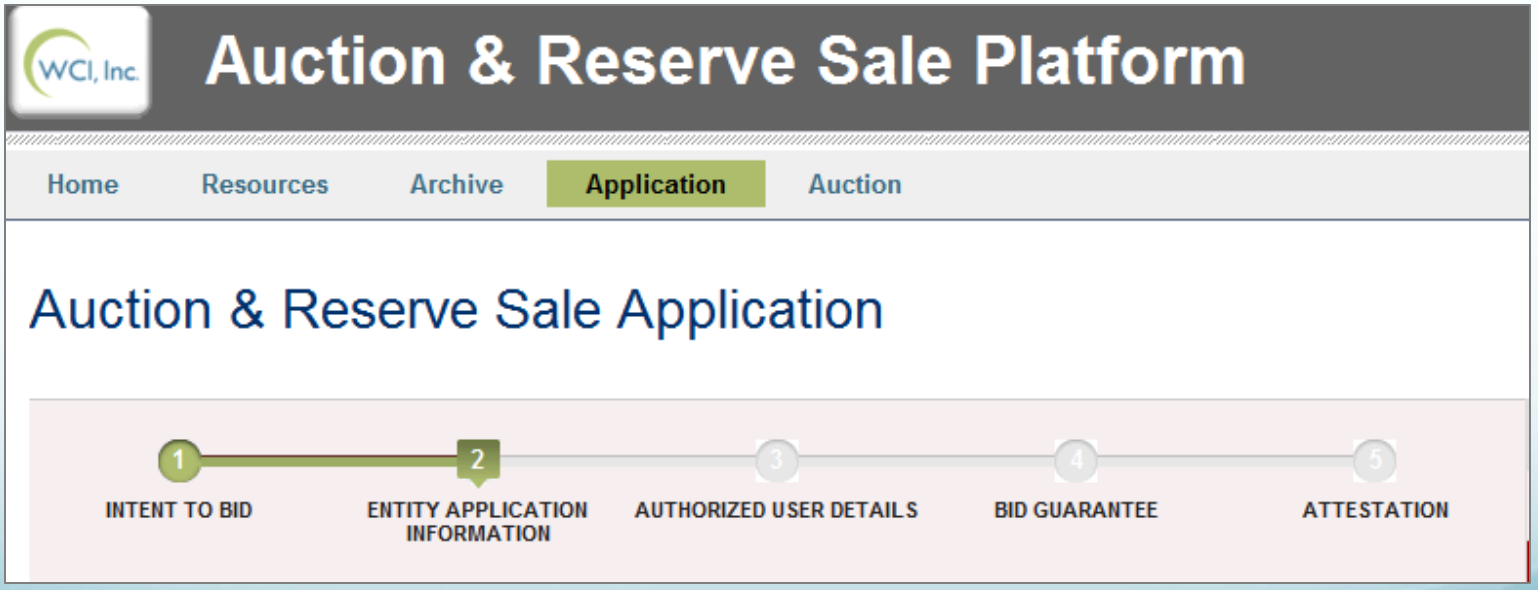


Reserve Sale Application or Intent to Bid

- All account representatives should activate their Auction Platform accounts. If previous participant, the representative may need to update security questions and/or password.
- One account representative must submit a reserve sale application or intent to bid in the Auction Platform for the entity.
- Any changes to entity or representative data must be made in the CITSS and approved no later than February 20, 2013.
- A reserve sale application or intent to bid must be submitted by February 21, 2013.
- For simplicity, the Auction Platform uses the term reserve sale application whether an initial reserve sale application or intent to bid is being submitted.

Reserve Sale Application or Intent to Bid

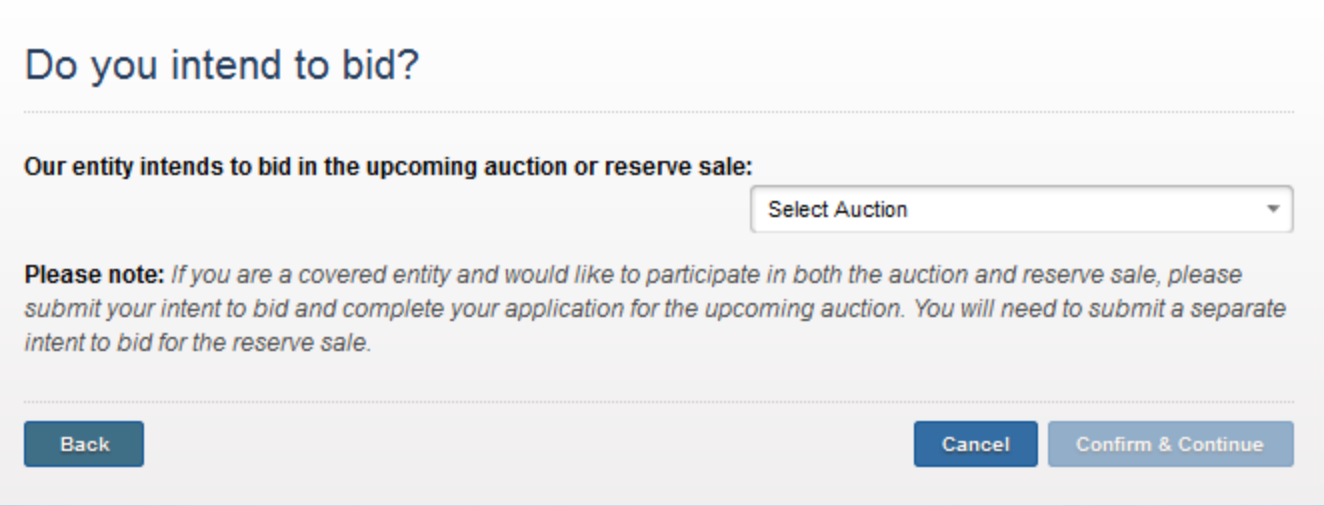
- One representative from each entity will access the Auction Platform to complete the entity application or intent to bid process.
- The processes are designed to be user friendly with visual cues and easily accessible information on how to proceed.



Reserve Sale Application or Intent to Bid

Step 1: Confirm Intent to Bid

- To confirm your intent to bid in the reserve sale, you will need to select the March 2013 Reserve Sale from the drop down list.



Reserve Sale Application or Intent to Bid

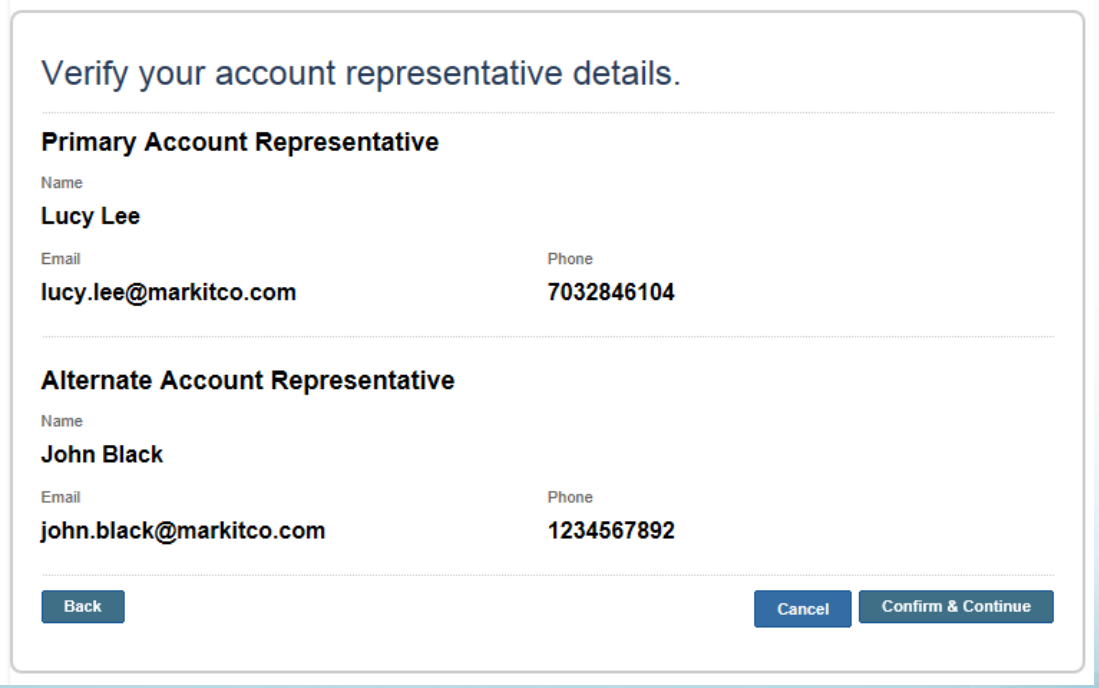
Step 2: Verify your entity application information

- Entity application details will be pre-populated from the CITSS account information. Please review the pre-populated fields for consistency with your CITSS information.
- Any changes must be made through the CITSS and, if required, approved by the California Registrar at least 1 day prior to the close of the Reserve Sale Application window.

Reserve Sale Application or Intent to Bid

Step 3: Verify Account Representatives

Review the pre-populated fields for consistency with your CITSS account information.



Reserve Sale Application or Intent to Bid

Step 4: Submit Bid Guarantee Information

- Entities must indicate the form of bid guarantee (cash or wire transfer, letter of credit, or bank bond) in the Auction Platform as part of the reserve sale application process, but will submit cash or physical bid guarantee documents to the Financial Services Administrator no later than February 27th.

Please submit your bid guarantee in one or a combination of the following forms from a financial institution.

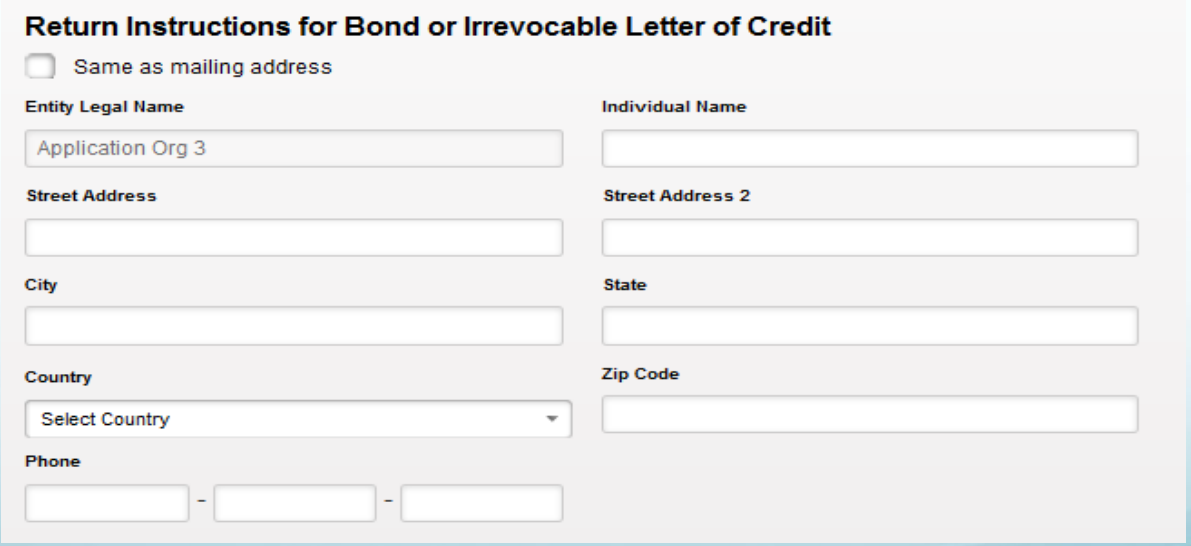
Which form do you plan to submit?

- [ ] Cash in the form of a wire transfer or certified funds, such as a bank check or cashier's check
- [ ] Irrevocable Letter of Credit
- [x] Surety Bond / Bank Bond

Reserve Sale Application or Intent to Bid

Step 4: Submit Bid Guarantee Information (cont.)

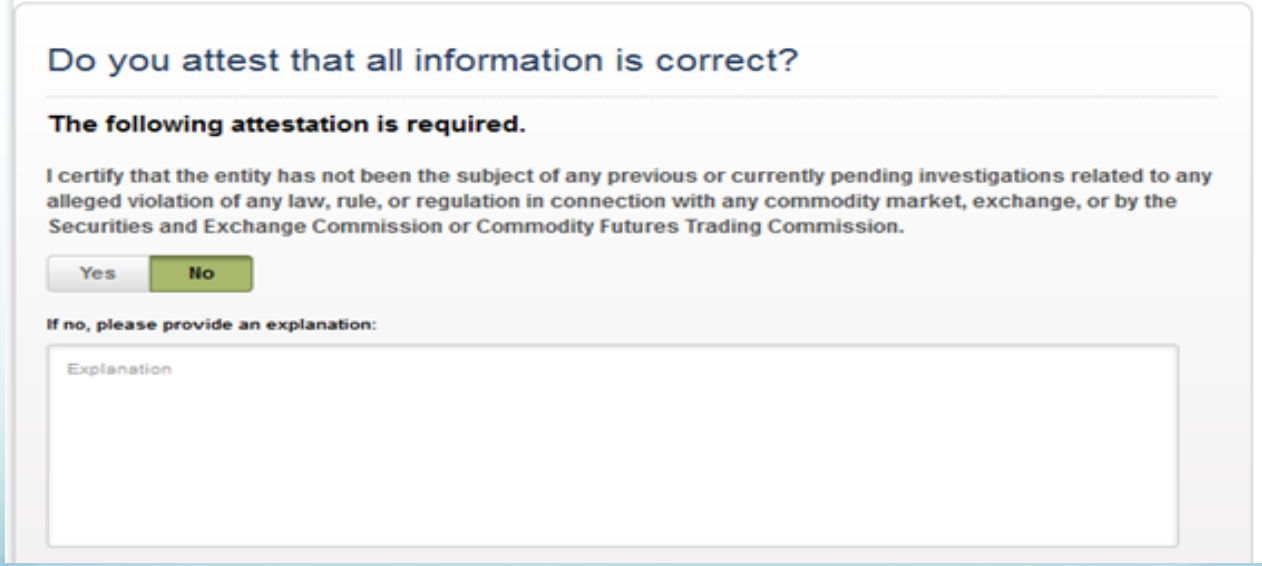
- Once you make the bid guarantee selections, forms for return information will be automatically generated in the Auction Platform:
  - Irrevocable Letters of Credit and Bank Bonds, complete the required Post Auction Return Address form (as shown below).



Reserve Sale Application or Intent to Bid

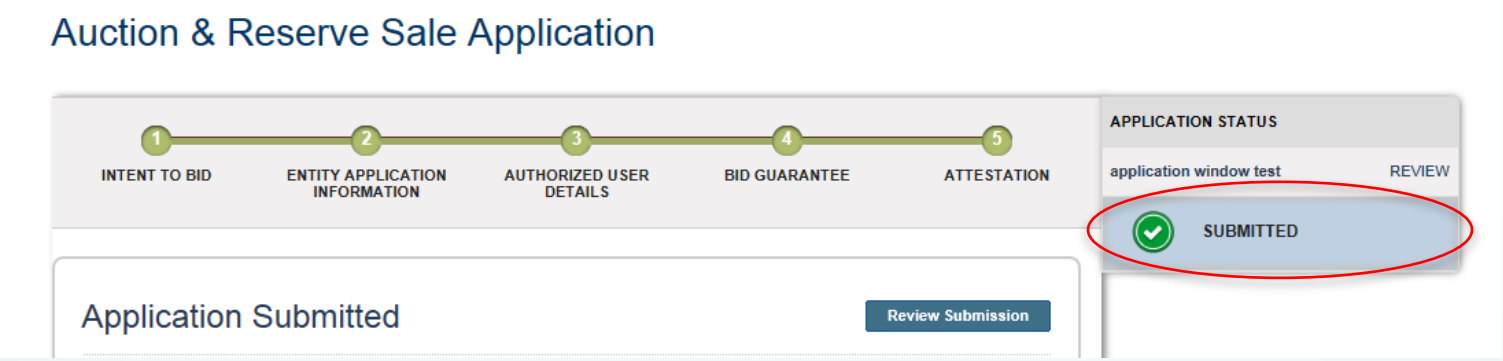
Step 5: Attestation

- The final step of the application process is to certify to the attestation as shown below. This step is required by all reserve sale participants.



Reserve Sale Application Status

- Once a reserve sale participant has submitted their application or intent to bid, the Application Status bar on the right hand side of the Auction Platform will show submitted with a green check box.



- Participants will receive an email from auctionsupport@markit.com confirming receipt of the reserve sale application.

Example Application Received Email

Hello from Auction Administrator

Thank you for applying for the upcoming [Auction Name]. Your request is under review.

Outlined below are the next steps in the auction and reserve sale application approval process:

- The Financial Services Administrator, Deutsche Bank National Trust Company, will establish your account.
- Once your account is established, you will be informed of the process to submit your bid guarantee for the upcoming [Auction Name].
- Once the Financial Services Administrator receives your bid guarantee, ARB will complete the final application review. You will be informed of your qualification status to participate in the Auction no later than two business days prior to the Auction.

If you have any questions, please contact us at auctionsupport@markit.com.

Thank you

Markit Auction Administrator Support Team

Example Application Approved Email

WCI, Inc.

Hello from Auction Administrator

Your application for the upcoming [Auction Name] has been approved.

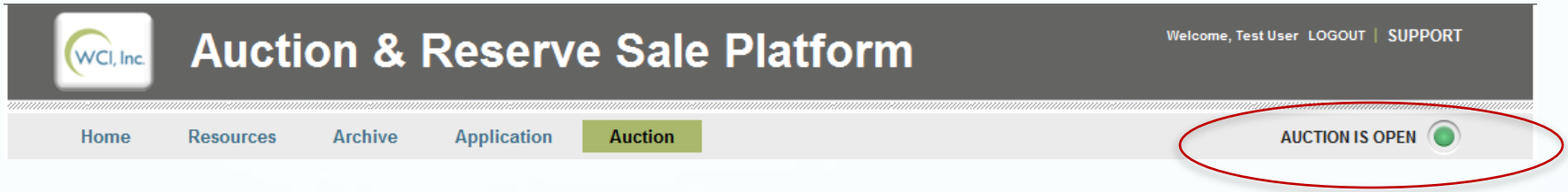
The auction window will be open from [10:00 AM to 1:00 PM PST on [Auction Date]. More information on the auction, including an instructional video and user guide, can be found in the Auction Platform under the Resources tab.

If you have any questions, please contact us at **auctionsupport@markit.com**.

Thank you

Markit Auction Administrator Support Team

Bid Submission Bidding Window



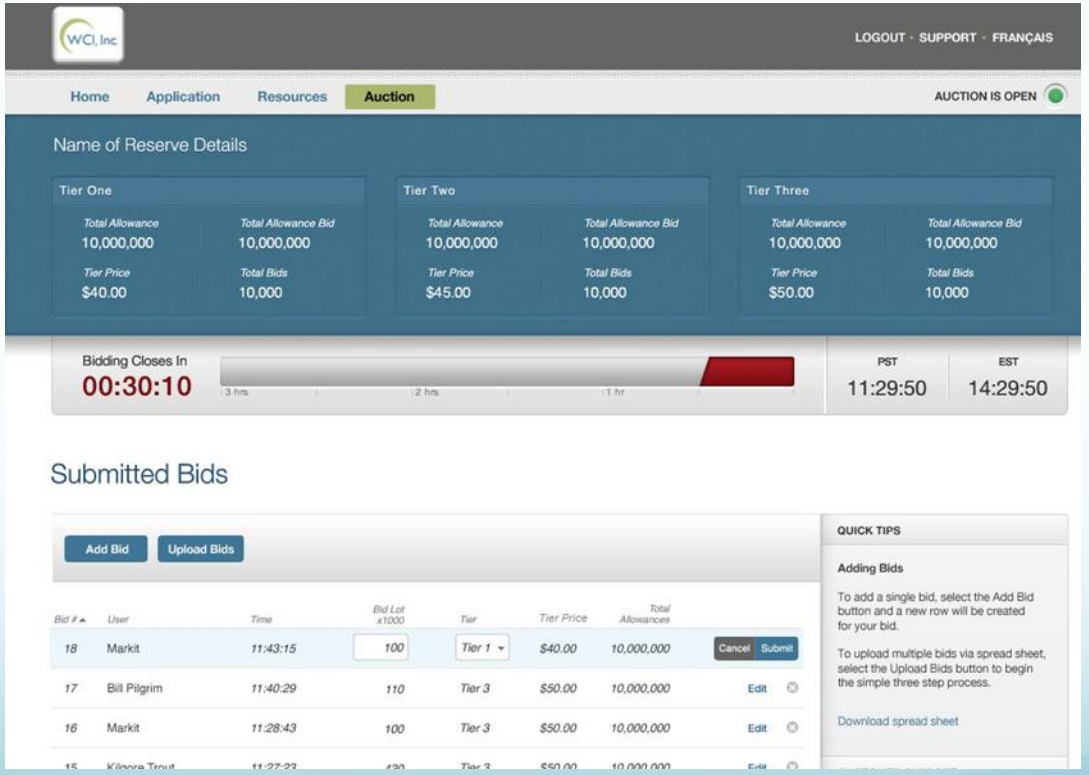
- The bidding window can be accessed by clicking on the Auction tab on the top banner of the Auction Platform. The bidding window will be accessible Friday, March 8th, 2013, from 10:00 AM to 1:00 PM PT.
- The reserve sale participants will be able to see whether the reserve sale window is open or closed on the right hand side of the top banner of the Auction Platform by either a green or red light (a green light as shown above signifies the reserve sale bidding window is open).

Bid Submission

- Participants will be able to submit bids manually and upload bid schedules in the Auction Platform during the 3-hour bidding window.
- For each bid the following must be entered:
  - Number of Bid Lots (1 lot = 1,000 allowances)
  - Tier
- The Number of Total Allowances will be calculated based on Number of Bid Lots entered.

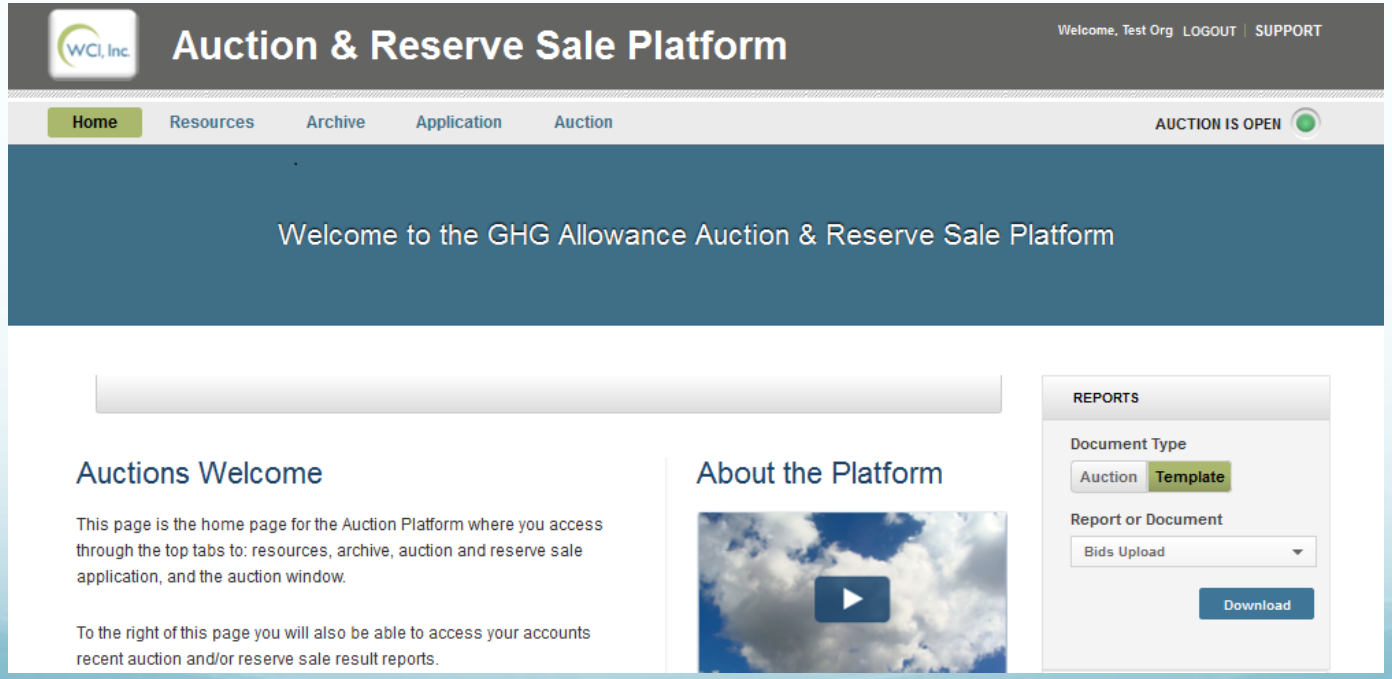
Bid Submission Auction Page

- Participants can edit or withdraw their bids submitted during the 3-hour reserve sale bidding window.

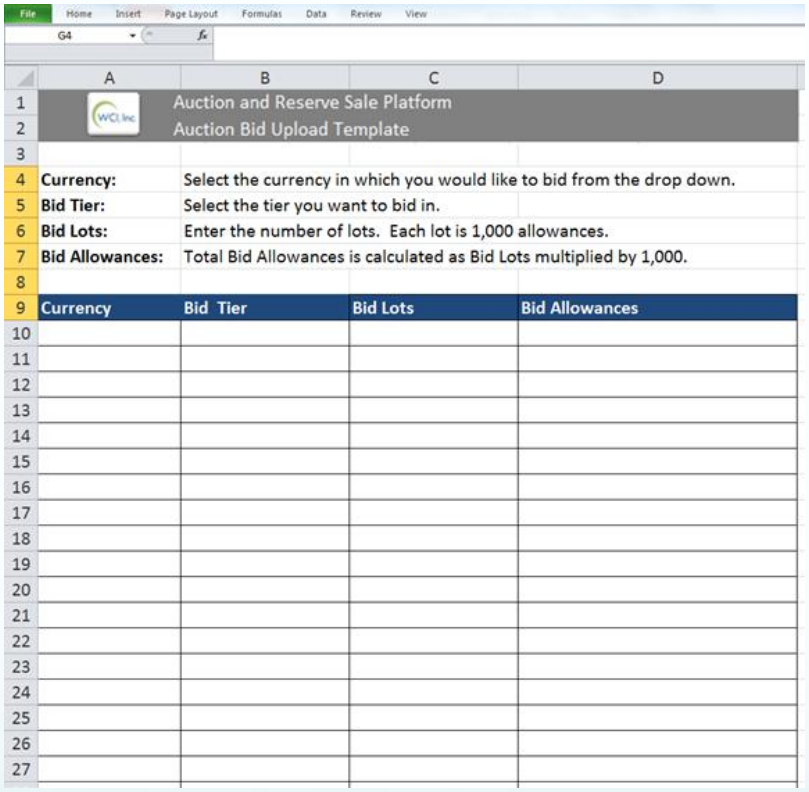


Bid Submission
Upload Bid Schedule

- Bid schedules are uploaded based on a pre-formatted spreadsheet available in the Auction screen and on the Auction Platform landing page to the right under Reports template.



Bid Submission
Upload Bid Schedule Example



	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				
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15				
16				
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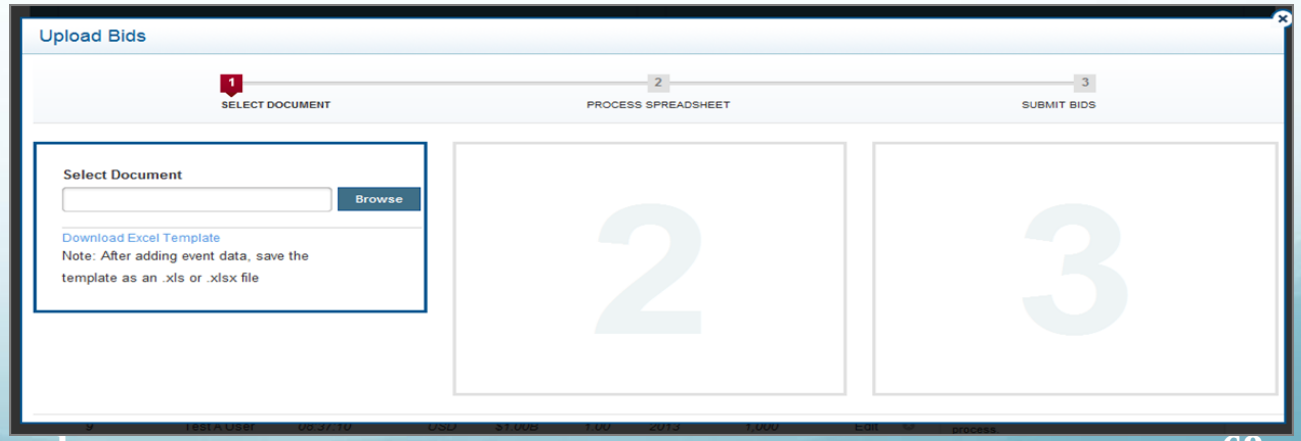
25				
26				
27				

- During the bidding window a bid may be deleted or edited.

Bid Submission
Upload Bid Schedule Example (cont.)

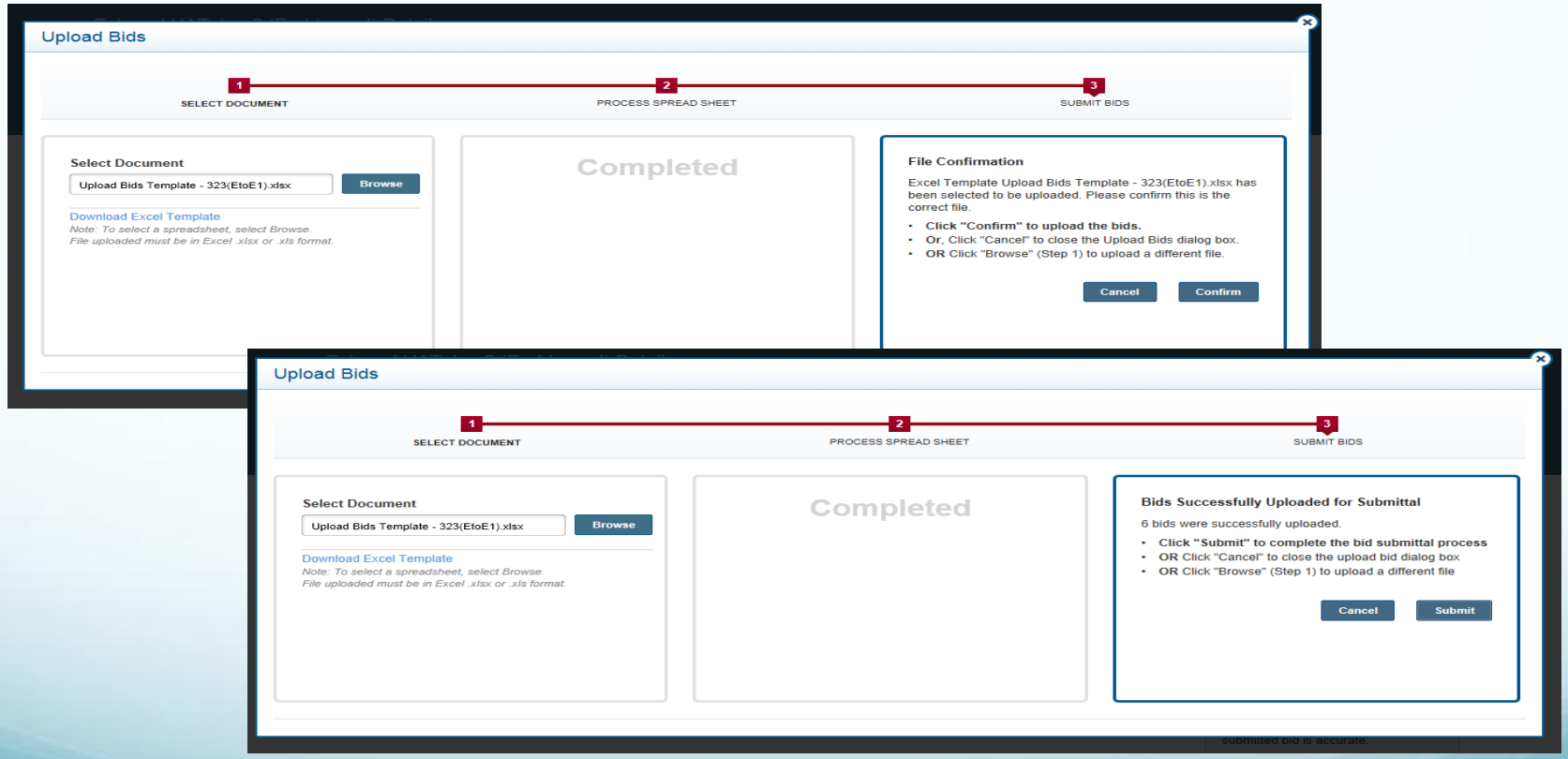
- Bid schedules can be uploaded during the bidding window using the Upload Bids function.

- The Upload Bids function is completed in 3 easy steps:
  1. Select Document – Excel spreadsheet with bids
  2. Process Spreadsheet – upload bids from the spreadsheet for submittal
  3. Submit Bids – Confirm the spreadsheet and Submit the bids uploaded from the selected spreadsheet



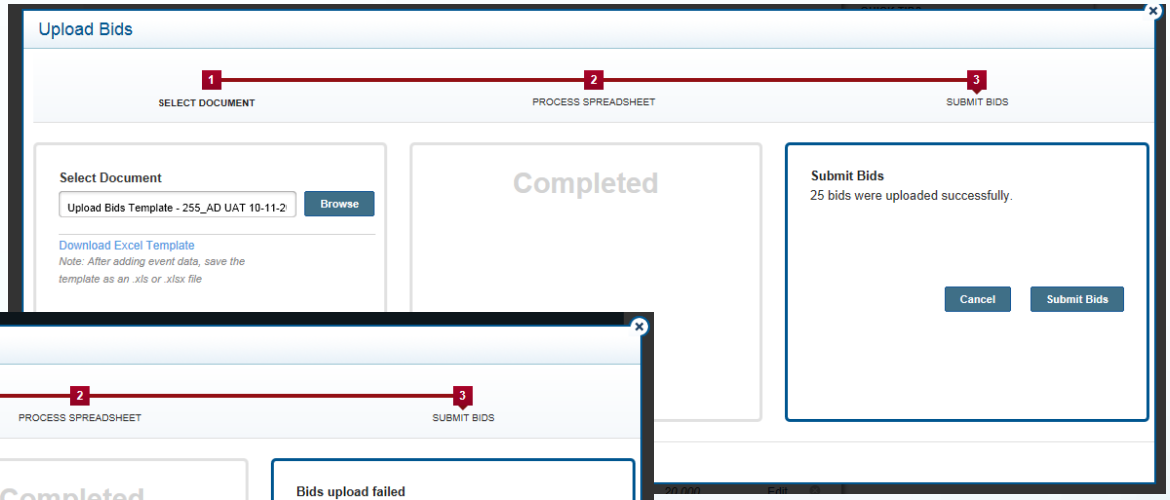
Bid Submission
Upload Bid Schedule Example (cont.)

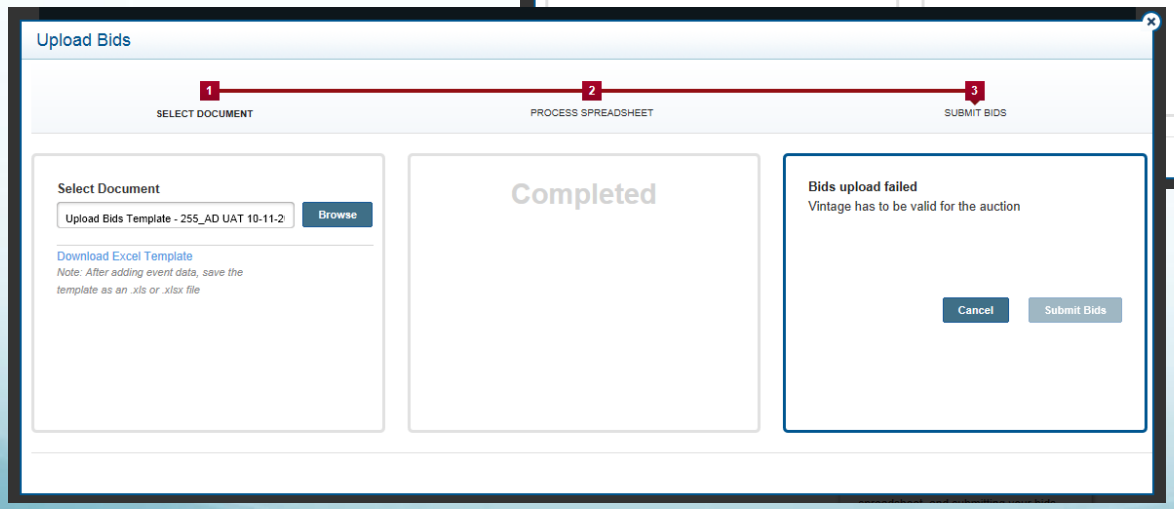
- Bid Upload function Step 3



Bid Schedule Submission

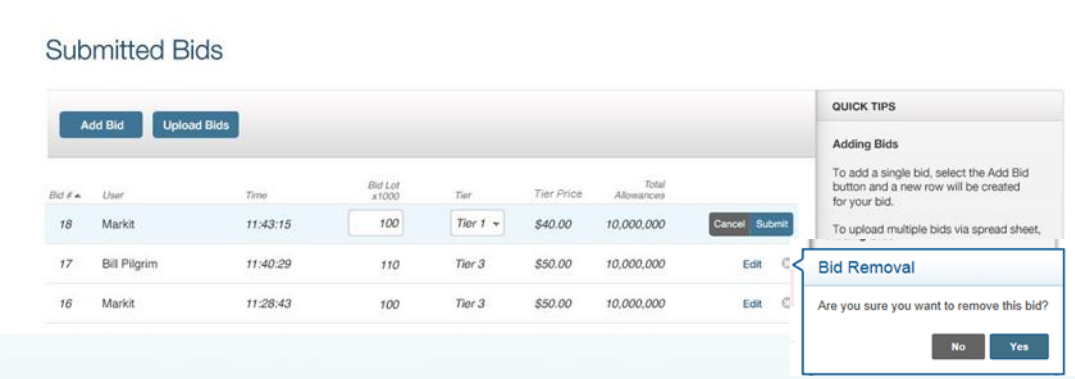
- The Auction Platform will confirm successful or failed bid schedule upload.





Bid Deletion and Editing

- During the bidding window a bid may be deleted or edited.
  - To delete, click the ⊗ and the 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.

Bid Submission Confirmation

Sample Client Bid Audit Report

File Home Insert Page Layout Formulas Data Review View

D21

	A	B	C	D	E	F	G	H	I	J	K
1	Date	2/19/2013									
2	Reserve Sale	Reserve 1_2013_March									
3											
4											
5	Client Bid ID	Transaction ID	Entity Legal Name	Update Type	Update By	Update Date	Update Time	Tier	Tier Price	Bid Lots	Bid Allowances
6											
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Example Reserve Sale Results Available Email

Hello from Auction Administrator

This is to notify you that the results of the recently conducted auction on [Auction Date] are now available to be viewed. Please log into the Auction Platform and download the Organization Results Report from the Home Page. To download your Organization Results Report, click on Auction on the right hand side of the screen. Under Report or Document, select Organization Results, then click on [Auction Name] and download the Organization Results Report.

Payment is due within seven days of receipt of this notification. This notification provides availability of the invoice in the Auction Platform. Payment instructions are available for download in the Auction Platform. Account numbers are not shown in full for security reasons.

Wiring Instructions for settlement:

Deutsche Bank Trust Company Americas
ABA# **********033 - New York NY
…

To download your wiring instructions, which include the Deutsche Bank Account Name, Port number, ABA number, and DDA number, please log into the Auction Platform. Once logged into the Auction Platform, click on Templates on the right hand side of the screen. Under Report or Document, select Wiring Instructions, then click on [Auction Name] and download the wiring instructions form.

If you have any questions, please contact us at **auctionsupport@markit.com**.

Thank you

Markit Auction Administrator Support Team

Financial Services Administration

- Reserve Sale Application Review and Account Established
- Bid Guarantee Process
- Bid Guarantee Requirements
- Bid Guarantee Review
- Bid Guarantee Revisions
- Financial Settlement
- Bid Guarantee Return

Reserve Sale Application Review and Account Established

- Account Opened
- Reserve Sale Account separate from Auction Account
- Email notification upon account opening with instructions on how to obtain your account number and submit your bid guarantee.
- Upon receipt of this email, you can deposit your bid guarantee with the Financial Services Administrator.

Example Reserve Sale Application Review and Account Established Email

WCI, Inc.

Hello from Auction Administrator

This is to inform you that your application has been reviewed and your account has been established with the Financial Services Administrator - Deutsche Bank National Trust Company. The next step in the application process is to submit your bid guarantee for the upcoming [Auction Name]. Please be sure to submit your bid guarantee by no later than 2:00 PM Pacific Time on [Bid Guarantee Due Date].

Below is your bid guarantee account information. Account numbers are not shown in full for security reasons.
Deutsche Bank Account Number: *********
Deutsche Bank Account Name: Company Name

Wiring Instructions for cash:
Deutsche Bank Trust Company Americas
ABA#
…

Mailing/Federal Express Instructions for Certified Checks, Letters of Credit and Bond forms:
Payable to Deutsche Bank National Trust Company
Mailing Address:
…

To download your wiring instructions, which include the Deutsche Bank Account Name, Port number, ABA number, and DDA number, please log into the Auction Platform. Once logged into the Auction Platform, click on Templates on the right hand side of the screen. Under Report or Document, select Wiring Instructions, then click on [Auction Name] and download the wiring instructions form.
…

Bid Guarantee Process

- Once your bid guarantee is received, reviewed and deposited by the Financial Services Administrator, you will receive an email confirmation from auctionsupport@markit.com confirming your bid guarantee was received by the Financial Services Administrator.
- All bid guarantees must be received by the Financial Services Administrator by 2 PM, PT on February 27th.
- You are encouraged to send in your bid guarantee as soon as you receive the email that your account has been established with the Financial Services Administrator.

Bid Guarantee Process

- The financial settlement for the February 2013 auction will not be complete before the due date for the bid guarantee to be submitted for the March 2013 reserve sale.
  - To participate in both, a separate bid guarantee must be submitted for each event.

Bid Guarantee Requirements – Cash or Wire Transfer

- Cash wire transfers or certified funds must be received by the Financial Services Administrator no later than 2:00 PT on February 27th.
- The cash wire details will include the following information:
  - Bank Name
  - Beneficiary name
  - Account number
  - ABA routing number
  - Payment Details

Bid Guarantee Requirements – LOC or Bank Bond

- LOC or Bank Bond must be issued by a U.S. Financial Institution with a U.S. Banking License.
- The required terms for an LOC or Bank Bond are:
  - Party named as Applicant on LOC or Bank Bond must be identical to that named in the participant's application.
  - Deutsche Bank National Trust Company must be named as beneficiary.
  - Must be irrevocable.
  - The amount of the LOC or Bank Bond must be included.

Bid Guarantee Requirements – LOC or Bank Bond (cont.)

- The expiration or maturity date must be no earlier than March 29th (i.e. 21 days after the scheduled auction or reserve sale).
- There must be instructions on where to submit the LOC or Bank Bond for payment and contact information for the LOC Bank.
- The Financial Services Administrator must be able to submit a draw via Facsimile.
- LOC must include a payment certificate/form of draw as an annex or exhibit.
- LOC must be payable within 1 business day.

Bid Guarantee Review

- The Financial Services Administrator will review and communicate any deficiencies with bid guarantees submitted to the bidder.
- The bidder will need to work with their financial institution to resolve deficiencies.
- Bidders that intend to submit either an LOC or Bank Bond are encouraged to remit it as soon as they are notified that their account has been established with the Financial Services Administrator.

Bid Guarantee Revisions

- If a bid guarantee provided to the Financial Services Administrator needs to be revised:
  - Reserve sale participants would be notified by the Financial Services Administrator.
  - Reserve sale participants would contact their financial institution in advance of the bid guarantee submittal deadline of Wednesday, February 27, 2013, and request an amendment to their bid guarantee.
- If a bidder after submitting a bid guarantee finds they need to revise the guarantee, they should contact the Financial Services Administrator.

Example Bid Guarantee Received Email

Hello from Auction Administrator

This is to notify you that the Financial Services Administrator has received and successfully processed your bid guarantee for the upcoming [Auction Name]. Your application is now pending ARB approval.

If you have any questions, please contact us at **auctionsupport@markit.com**.

Thank you

Markit Auction Administrator Support Team

Note: your username for the Auction Platform is the email address that the email invitation was sent to and NOT your CITSS username

Financial Settlement

- Successful bidders should download their Organization Results Report (settlement invoice) from the Auction Platform and submit the financial settlement amount no later than March 20, 2013 by 2:00 PM PT.
- Financial Services Administrator will draw/liquidate the bid guarantees on March 21, 2013 to cover any amounts due but not received from a successful bidder by the March 20, 2013 deadline.
- Wiring instructions can be downloaded from the Auction Platform.
- No bank/cashiers checks will be accepted
  - Any checks received will be returned and the Financial Services Administrator will draw on the bid guarantee to settle the invoice.

Financial Settlement Invoice

- Reserve Sale Information
- Account Information
  - Financial Services Account
  - CITSS General Account
  - Bid Guarantee
  - Amount Due to Financial Services Administrator
  - Wiring Instructions
- Bid Information
  - Tier Price
  - Successful Bids by Tier
  - Total Bid Cost by Tier
  - Sum of Total Bid Cost (All Tiers)

Bid Guarantee Return

- All bid guarantees for unsuccessful bidders, regardless of type, will be returned within 2 - 3 business days after the reserve sale is certified.
- For successful bidders, any unused cash bid guarantee will be returned by March 25th.
- Any LOC or Bank Bond will be returned by March 25th.

Example Reserve Sale Final Email

WCI, Inc.

Hello from Auction Administrator

This email is to notify you that the recent [Auction Name] is final. Financial settlement is complete and the Auction is now closed.

If you have any questions, please contact us at **auctionsupport@markit.com**.

Thank you

Markit Auction Administrator Support Team

Note: your username for the Auction Platform is the email address that the email invitation was sent to and NOT your CITSS username

Resources & Training Material

- Training materials are available on the Resources tab of the Auction Platform.
- Training materials available from the public page of the Auction Platform include:
  - Auction and Reserve Sale Guide
  - Frequently Asked Questions (FAQs)
  - Training webinar video
  - Calendar of reserve sale activities
- Additional materials will be available to reserve sale participants once they have received an account in the Auction Platform.
- Today's presentation is available at: http://www.arb.ca.gov/cc/capandtrade/auction/auction.htm.

Reserve Sale and Financial Services Contact Information

- Reserve Sale Administrator
  - Email support available 24 hours M-F auctionsupport@markit.com
  - Call from 8 AM to 6 PM PT 1(877) 762-7548
- Financial Services Administrator
  - Email support CAARB.inbox@db.com
  - Call (212) 250-6645

Air Resources Board Contact Information

- If you have any questions about completing the CITSS registration and account application process, please contact the California CITSS Help Desk at: help@wci-citss.org or by phone at:

  (916) 324-7659.

- If you have policy related questions regarding the Cap-and-Trade Program, please contact the Air Resources Board at: (916) 322-2037.

Question and Answer Session

- Please submit questions through the webinar system in the Q&A section of the webinar.