



CITSS

Compliance Instrument
Tracking System Service

COMPLIANCE INSTRUMENT TRACKING SYSTEM (CITSS)

DESIGN PROPOSAL MEETING #2

January 30, 2013

AGENDA ITEMS

- Introductions
- Design Proposal Meeting Goals
- CITSS Background
- Summary of Webinar #1 Comments
- Additional Stakeholder Design Proposals Received
- Next Steps

Introductions

- Air Resources Board Representatives
 - Matthew Botill
 - Natalie Lee
 - Bob Languell

CITSS Design Proposal Meeting Goals

- Goals
 - Collect stakeholder feedback and requests for new or modified CITSS features.
 - Prioritize the stakeholder requests.
 - Refine requirements for selected stakeholder functionality.
 - Program selected functionality by Release 3.0. code freeze – scheduled for early April.
 - Program additional selected functionality for Release 4.0.

Today's Webinar

- Goals
 - Review feedback from last webinar.
 - Gather details on additional submitted proposals.
 - Identify stakeholder proposals for potential inclusion in future CITSS updates.

Reminder: This webinar has a specific focus on CITSS functionality and design. Questions submitted outside the scope of the webinar will not be addressed. ARB staff will not address regulatory issues during the webinar or through questions.

CITSS Background

- CITSS - Account and compliance instrument registry for California Cap-and-Trade Program
- CITSS and the Auction Platform are separate systems
 - CITSS info:
<http://www.arb.ca.gov/citss>
 - Auction info:
<http://www.arb.ca.gov/auction>

Existing CITSS Modules

- User Registration
- Account Registration
- Account Management
- Allowance and Offset Transfers
 - Allocation
 - Consignment
 - Auction results
 - Secondary market transfers

CITSS Future Development Plans

- Anticipate Release 3.0 to be in June 2013
 - Public Reports
 - Holding Limits
 - Corporate Associations
 - Facility Management
 - Stakeholder Design Proposals
- Anticipate Release 4.0 to be in December 2013
 - Compliance Instrument Retirement
 - Stakeholder Design Proposals

CITSS Design Proposal Summary

22 proposals received and reviewed

- 2 open – ARB seeking more feedback
- 2 closed – functionality already exists in CITSS
- 4 closed – anticipated for future CITSS release
- 9 closed – proposal outside of CITSS scope
- 2 closed – require regulatory proposal and change
- 3 closed – high complexity or cost prohibitive

CITSS Design Proposal Summary

- Today's discussion:
 - 2 open proposals from first webinar
 - 2 closed proposals from first webinar
 - 1 new open proposal, submitted after first webinar
 - 1 closed proposal, submitted after first webinar

Design Webinar #1 Proposals

- 18 proposals submitted prior to first webinar
- ARB requested feedback on proposals
 - Proposals discussed during first webinar session.
 - Polls conducted to determine level of interest for select proposals.
 - Feedback submitted by stakeholders in writing following the webinar.

Proposal 1 – Account Representative Permissions

Proposal:

- (1) Provide features that allow the Primary Account Representative or ARB to limit which account representatives can transfer compliance instruments (CIs) and bid at auction; or
- (2) allow the entity to designate which representatives can, propose a transfer, accept a transfer, approve a transfer, update entity information, and bid at auction.

Proposal 1 – Account Rep Permissions

Potential Solution for Release 3.0:

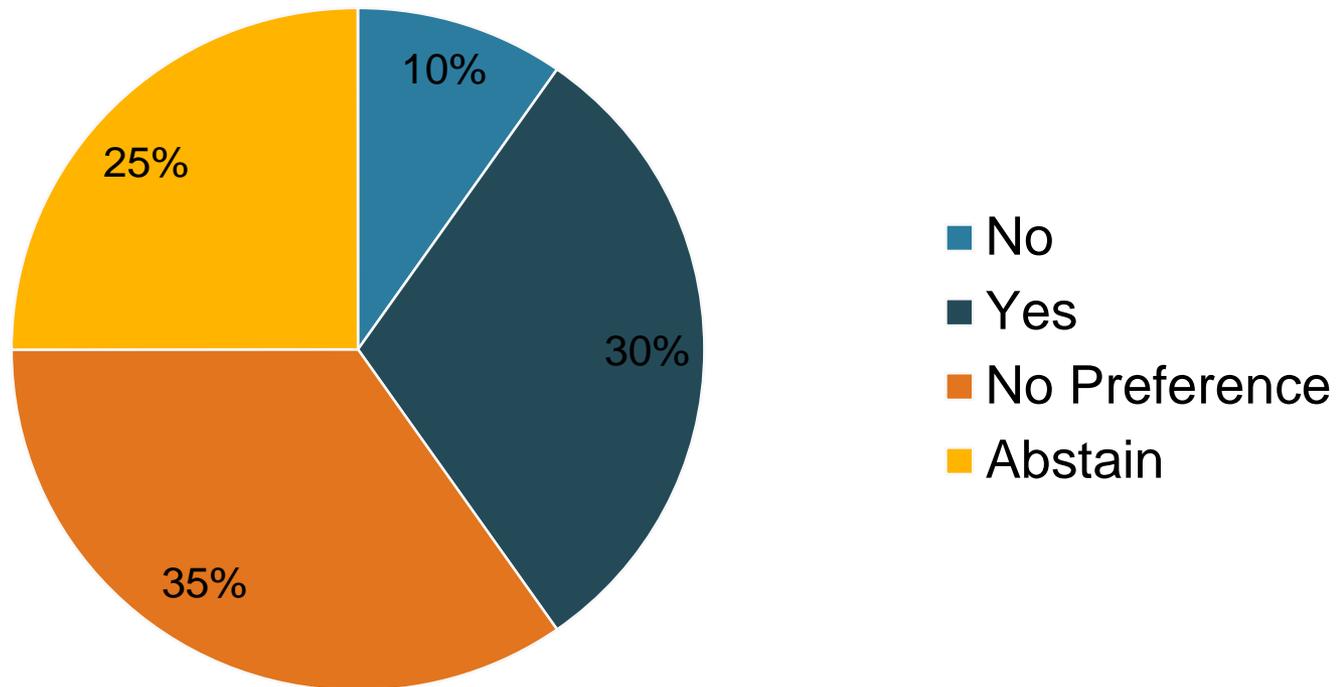
- Provide the PAR the ability to select which representatives can bid at auction.
- Auction representatives will still be able to submit transfer requests.

Potential Longer-Term Solution:

- Add an “Auction Representative” user type to CITSS.
- The proposed change would likely require a regulatory change. Regulatory change proposal would need to be prepared and approved.

Proposal 1 – Account Rep Permissions

Poll Response: Should ARB provide separate roles for an Account Representative and the Auction Representative?



Proposal 1 – Account Rep Permissions

Solution for Release 3.0:

- Provide the PAR the ability to select which representatives can bid at auction.
- Provide an audit report in CITSS detailing transfer actions taken by each representative.
- Continue to work with stakeholders on proposed longer-term solution.

Benefits

- Allows an entity to limit users bidding at auction.
- Allows auditing to verify segregation of duties.

Proposal 3 – Retirement Flexibility

Proposal:

To meet annual and tri-annual compliance obligation, provide covered entities the flexibility to select the type, vintage, and quantity of CIs to be retired from the compliance account, as long as such actions meet the requirements and limitations in the Regulation.

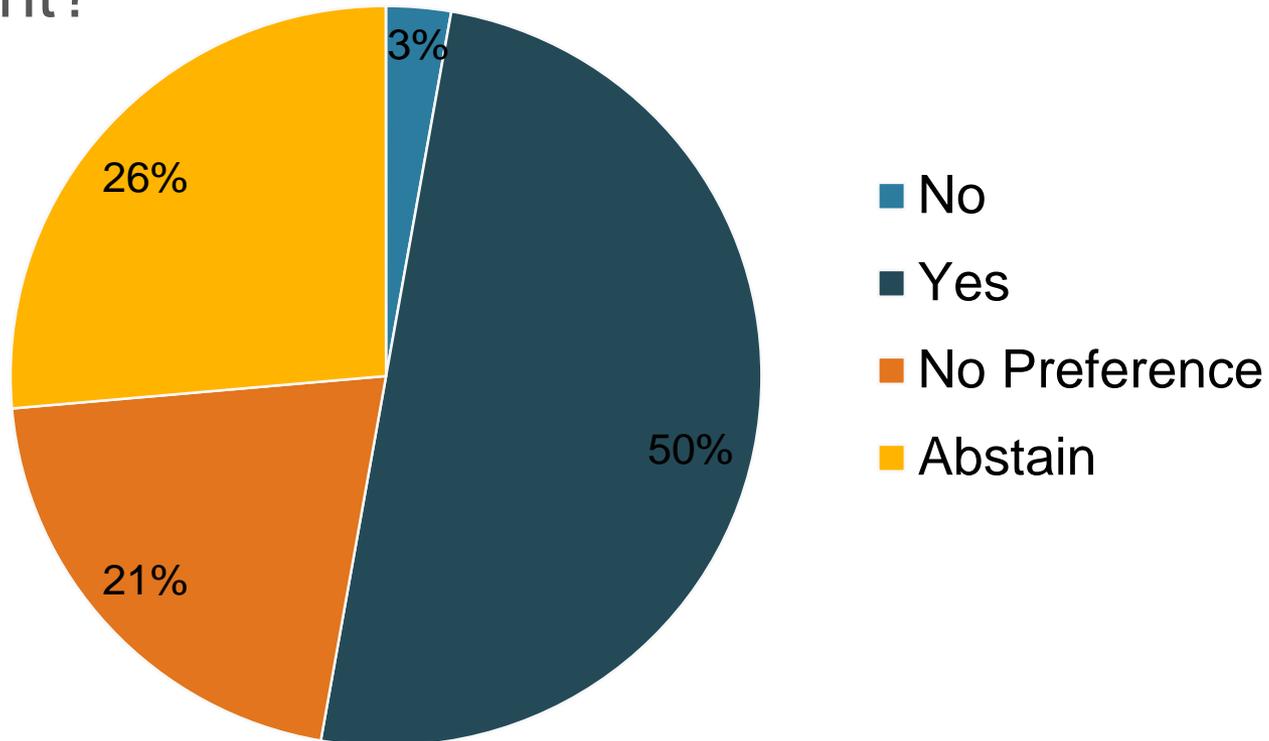
Proposal 3 – Retirement Flexibility

Design Session #1 Discussion:

Because such flexibility represents additional programming time, ARB requested additional information to understand the specific business need for this feature.

Proposal 3 – Retirement Flexibility

Poll Response: Should ARB allow entities to select specific instruments in their compliance account for retirement?



Proposal 3 – Retirement Flexibility

Proposed Solution for Release 4.0:

- Require the PAR and AARs to flag in CITSS which compliance instruments ARB would retire from the compliance account.
 - Flag by instrument attributes and quantities.
- The proposed change would likely require a regulatory change. Regulatory change proposal would need to be prepared and approved.

Proposal 6 – Account Folders

Proposal:

To better organize and keep track of allowances, provide functionality to allow an entity to move and view allowances in their CITSS General Account, separated into sub-accounts, created and named by the PAR or AAR.

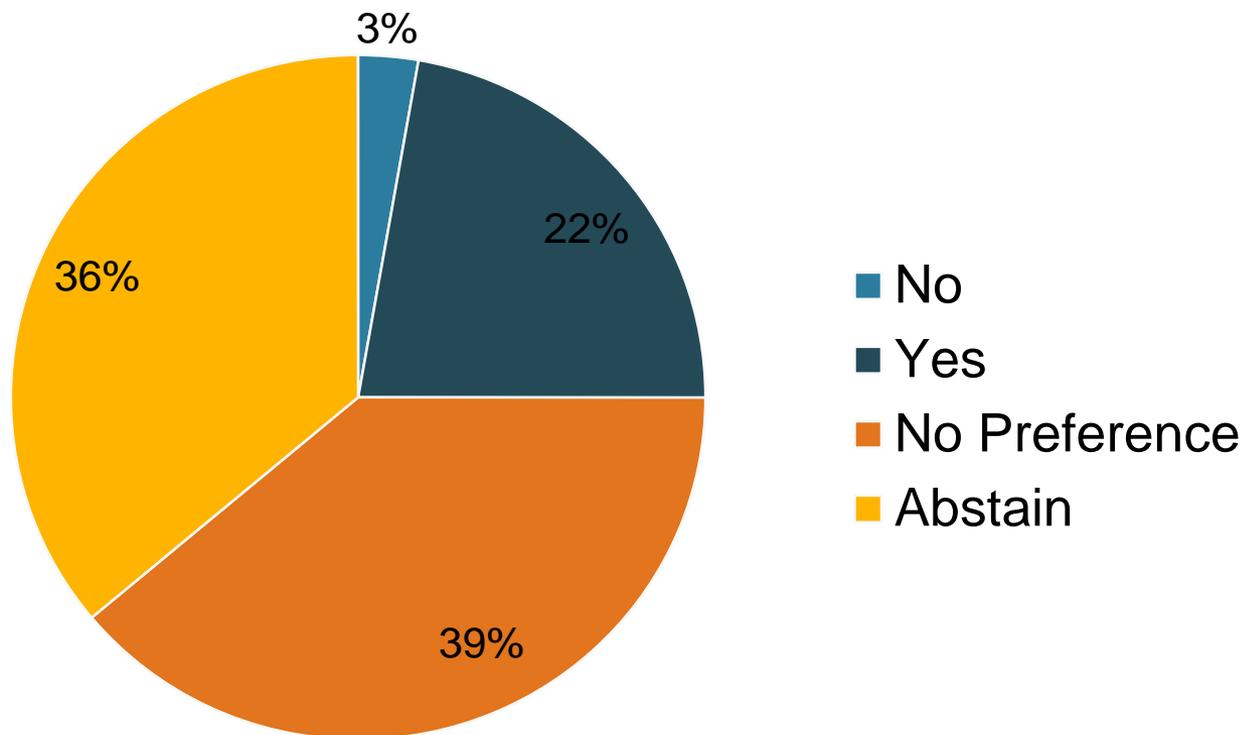
Proposal 6 – Account Folders

Design Session #1 Discussion:

- As ARB believes this type of functionality does not exist in any other similar cap-and-trade registry, ARB staff requested more information regarding the need for this type functionality.

Proposal 6 – Account Folders

Poll Response: Should ARB provide sub-account folders for CITSS account holders?



Proposal 6 – Account Folders

Discussion:

- ARB does not intend to implement any account folder features for compliance instruments at this time.
 - Sub-accounts not identified in regulation.
 - Folders and sub-account structure would add substantial complexity to the CITSS account structure.
 - Transfer functionality would need to be modified.
- ARB recommends this to be an internal control function for stakeholders outside the CITSS.

Proposal 7 – Data APIs or Extracts

Proposal:

Provide published API or data extracts to obtain real-time information and ensure accurate information flows. The following data extracts were proposed:

- Inventory report download – for all accounts.
- Transfer report download – for all accounts.
- Holding Limits/limited exemptions report.

Proposal 7 – Data APIs or Extracts

Webinar #1 Discussion:

- ARB has implemented the transfer download and anticipates implementing a holding limit view as part of Release 3.0.
- ARB anticipates including the inventory download as part of Release 3.0. Due to scheduling concerns, this may be delayed until Release 4.0.

Proposal 7 – Data APIs or Extracts

Proposed Solution for Release 4.0:

- ARB received multiple requests for published data extract APIs during the first webinar.
- ARB proposes to develop and publish an API standard for account data extracts from CITSS.
- Goal is to publish API standard and data format for stakeholder review prior to Release 4.0.

New Proposals for Design Webinar #2

- ARB requested any remaining proposals be submitted by January 23rd
- ARB received 4 additional proposals, related to:
 - Data on transfers extracts
 - Information on POU allocation distributions
 - Integration with market exchanges
 - Serial numbers in CITSS

Proposal 19 – Transfer Extract Data

Proposal:

Provide more information on the CITSS transfer extract files. Include the following:

- Transfer comments
- Settlement Date
- Agreement Date

Proposal 19 – Transfer Extract Data

Proposed Solution:

- ARB anticipates providing the additional fields in the data extract as part of Release 3.0.
- ARB will work to include all fields entered during the transfer proposal stage.
 - Transfer comments
 - Contract type and venue
 - Settlement/Agreement dates
 - Transfers between corporate associates

Proposal 20 – Allocation Distributions

Proposal:

For POU allowance allocation, provide information in the CITSS identifying the allocation source and the recipient of the free allocation. Include:

- The name of the POU directing the allocation.
- The recipient of the allocation, including the receiving account types.
- The allowances attributes and transfer details for the allowances deposited in the recipient's account.

Proposal 20 – Allocation Distributions

Discussion:

- ARB considering providing more information outside of the CITSS on the distribution of POU allowances.
- Issued discussed in January 25th public workshop.
 - Workshop information available at:
<http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>

Proposal 21 – Exchange Integration

Proposal:

Provide an interface to connect CITSS to market exchanges to record spot transfers of allowances and offsets on external exchanges. Either:

- Publish a web service API for spot trades, or
- Process encrypted emails and .csv files.

Proposal 21 – Exchange Integration

Discussion:

- ARB does not intend to implement any additional APIs, other than those previously described, for CI transfers at this time.
- Regulatory provisions allow for exchange-clearing providers to participate in CA program via exchange clearing holding accounts.

Proposal 22 – Serial Numbers

Proposal:

Provide a display of compliance instrument serial numbers for account holdings and transfers.

- Serial numbers important for purchasing offset credits.

Proposal 22 – Serial Numbers

Discussion:

- Account holders have access to:
 - Vintage, Type, Sub-type, Category (Offset Protocol), Project Code, and issuing Jurisdiction (offsets only).
- ARB policy is to not disclose unique id numbers of compliance instruments.

Next Steps

- Additional comments on today's presentation welcome, please submit by February 8th.
 - Additional comments and technical requirements on Release 4.0 functions would be appreciated.
- No additional design webinars currently scheduled.
- CITSS Release 3.0 training webinars anticipated late spring or early summer.
- CITSS Release 4.0 outreach anticipated after Release 3.0.
- See www.arb.ca.gov/citss for latest information.