

## Summary of CITSS Stakeholder Design Proposals

No	Title	Business Need	Stakeholder Proposed Solution	Status	Preliminary ARB Response	1 <sup>st</sup> Design Session Webinar Comments
1	Account Representative Permissions	Risk management controls segregate duties between those who trade and those who validate and settle a trade.  The current CITSS structure forces staff to have access to features they may not be permitted to have.	Provide features that allow the primary account representative or ARB registrar to limit which account representatives can transfer compliance instruments and which representatives can bid at auction.	ARB solution proposed at Jan 16th webinar.  Follow-up required.	Considering updating CITSS in Release 3.0 to allow the Primary Account Representative (PAR) to designate which account representatives would be eligible to bid at Auction. Designation may require entity officer or director authorization.	This solution alone does not meet stakeholder needs.  Stakeholder needs may be met if we enable this function as well as provide a transfer audit report displaying which CITSS users are involved in transfers.
	Account Representative Permissions	An essential feature of segregation of duties/responsibilities within an organization is that no one employee or group of employees has exclusive control over any transaction or group of transactions.  Below is an outline of the potential segregated duties: (1) Custody and reconciliation of allowances or allowance revenue (2) Authorization or approval of GHG transactions (3) Recording or reporting of GHG transactions (4) Execution of GHG transactions or transaction activity	Provide enhancements to the CITSS application which facilitates segregation of duties at the user profile level.  Provide entity designated administrators, with governance responsibility within the participant entity, which could further designate user authority at the individual or user profile level consistent with that entity's specific internal authorization levels and governance framework.	ARB solution proposed at Jan 16th webinar.  Follow-up required.	Consider updating CITSS in Release 4.0 to allow the entity to designate three types of representatives: (1) <b>Primary Account Representative or Alternate Account Representative</b> , who can conduct a CITSS transfer. (2) <b>Auction Representative</b> who can bid at auction. (3) <b>Account Viewing Agent</b> , who can view account and entity data.  An individual can be designated as both a PAR/AAR and an Auction Representative.  This functionality would likely require a regulatory change. Regulatory change proposal would need to be prepared and approved.  If implemented, enhancing CITSS so that the Entity can designate different Auction Representatives and PAR/AAR representatives would likely be a Release 4.0 item.	A poll was conducted to determine stakeholder interest in this feature:  "Should ARB provide separate roles for an Account Representative and the Auction Representative?" Yes – 30% No – 10% No Preference – 35% Abstained – 25%  Stakeholders requested that this feature be optional, as some entities do not want to differentiate between Auction Representatives and Account Representatives. Stakeholders also expressed that if a change occurs the default would be to allow all representatives to act in both roles unless changed.
2.	Compliance Transfers	To meet contract and supplier AB 32 obligations, an entity may need to transfer compliance instruments to a supplier's Compliance Account to ensure that they are used for compliance purpose.	Provide the ability to transfer compliance instruments from a Holding Account (General Account) to a Compliance Account.	Closed – ARB discussed at Jan 16th webinar.  Regulatory change proposal needed.	The Cap-and-Trade Regulation (Regulation) currently states that transfer requests occur between source and destination <u>holding</u> accounts. CITSS was programmed according to this language.  The proposed change would require a regulatory change. Regulatory change proposal would need to be prepared and approved.	No comments received.

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3.	Retirement Flexibility	Retirement of a Compliance Instrument (CI) to comply with Regulation should be managed by regulated entities to allow for flexibility in the use of vintage year, type of CI, and timing.	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.	Closed - ARB discussed at Jan 16th webinar.  Proposal anticipated to be included in Release 4.0.	Consider a solution that would require the PAR and AARs to flag in CITSS which compliance instruments ARB would retire from the compliance account by flagging instrument by attributes and quantities.  The proposed change would likely require a regulatory change. Regulatory change proposal would need to be prepared and approved.  If implemented, enhancing CITSS so that the entity can select specific CIs for retirement would be a Release 4.0 item. This release should be complete prior to the first compliance deadline to meet stakeholder needs.	A poll was conducted to determine stakeholder interest in this feature:  "Should ARB allow entities to select specific instruments in their compliance account for retirement?" Yes – 50% No – 3% No Preference – 21% Abstained – 26%  An alternative solution was proposed: (1) Retire instruments in the order they were placed in the compliance account.
4.	Retirement Timing	Retirement of CIs to comply with Regulation should be managed by regulated entities to allow for flexibility in the use of vintage year, type of CIs, and timing.	Provide the ability to retire CIs for compliance at any time prior to the regulatory deadline.	Closed - ARB discussed at Jan 16 <sup>th</sup> webinar.  Regulatory change proposal needed.	Compliance deadlines are predetermined by Regulation. The retirement process in the Regulation also requires that ARB move instruments from the Compliance Account to the Retirement Account.  Proposal is not consistent with current Regulation.  The proposed change would require a regulatory change. Regulatory change proposal would need to be prepared and approved.	One additional comment received requesting this functionality be implemented.

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5.	Holding Limits	An entity needs to understand its holding limits when making allowance acquisitions. Currently ARB does not publish holding limit and limited exemption for each covered entity. This can lead to different interpretations of the rule language resulting in violations and loss of opportunities to obtain cost effective CIs.	Either: 1. Publish holding limits for each vintage year (or group of vintage years) for each compliance year and provide clear guidance to covered entities on how to determine the limited exemption for any given time period specified in the Regulations; or  2. Provide customized holding limit and limited exemption information for each covered entity in a consolidated CITSS account. Provide automated update of the amount of CIs in each account, the holding limits, and the limited exemption.	Closed -ARB discussed at Jan 16 <sup>th</sup> webinar.  Proposal anticipated to be included in Release 3.0.	ARB anticipates implementing features that would allow an entity to view the holding limit and limited exemption values as part of Release 3.0.  ARB has also published regulatory guidance documents that provide more information on how to calculate a holding limit. The guidance document is available here: <a href="http://www.arb.ca.gov/citss/#guide">http://www.arb.ca.gov/citss/#guide</a>	Only clarifying questions on holding limits were received.
6.	Account Folders	An entity needs to be able to better organize and keep track of allowances and would like be able to move and separate allowances in the CITSS General Account into sub accounts.	Provide the ability to view allowances in a CITSS General Account, separated into sub-accounts, created by the PAR or AAR. Ideally, CITSS is modified to give the account holder the ability to create and name sub-accounts, or folders, within the General Account.	Closed- ARB discussed at Jan 16 <sup>th</sup> webinar.  Proposal not anticipated to be completed due to complexity/cost.	ARB does not intend to implement any account folder features for compliance instruments at this time. (1) Sub-accounts not identified in regulation. (2) Folders and sub-account structure would add substantial complexity to the CITSS account structure. (3) Transfer functionality would need to be modified  ARB recommends this to be an internal control function for stakeholders outside the function of the CITSS.	A poll was conducted to determine stakeholder interest in this feature:  "Should ARB provide sub-account folders for CITSS account holders?" Yes – 22% No – 3% No Preference – 39% Abstained – 36%

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7.	Data APIs or Extracts	To help obtain real-time information and ensure accuracy, an entity would benefit from automated interfaces between CITSS and their internal systems. An Application Programming Interface (API) will also help address stakeholder concerns regarding potential discrepancies in CITSS and could be valuable for account reconciliation.	Provide published API or data extracts to obtain real-time information and ensure accurate information flows.  The following data extracts were proposed: (1) Inventory report download for all accounts. (2) Transfer report download for all accounts. (3) Holding Limits/limited exemptions report.	Closed - ARB discussed at Jan 16 <sup>th</sup> webinar.  Proposal anticipated to be included in Release 4.0.	The IOUs proposed 3 specific file downloads that should be made available: (1) Inventory report for all accounts. (2) Transfer report for all accounts. (3) Holding Limits/limited exemptions report.  ARB anticipates including the inventory download features as part of Release 3.0. Due to scheduling concerns, this download may be delayed until Release 4.0. ARB has implemented the transfer download and plans to implement the holding limit view as part of Release 3.0.  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 review prior to Release 4.0.	A poll was conducted to determine stakeholder interest in this feature:  “Are data extracts from CITSS sufficient or do you feel a system to a system automated link for downloading info is needed?” Yes – 21% No – 4% No Preference – 18% Abstained – 57%  Stakeholders requested ARB publish API standards for the data extracts discussed during the webinar.  More information on the transfer history extract file is available of page 77 of Volume III of the CITSS guide. Available here: <a href="http://www.arb.ca.gov/citss/#guide">www.arb.ca.gov/citss/#guide</a>
8.	Account APIs	To help obtain real-time info and ensure accuracy, an entity would benefit from automated interfaces between CITSS and their internal systems. An API will also help address stakeholder concerns regarding potential discrepancies in CITSS and could be valuable for account reconciliation.	Provide a published API for inventory positions, trade validation, account management, and registration activities.	Closed - ARB discussed at Jan 16 <sup>th</sup> webinar.  Proposal not anticipated due to complexity/cost.	ARB does not intend to implement any additional APIs for CI transfers and user registration activities, other than those listed in Proposal #7. (1) APIs for data entry present concerns around security, data accuracy, and regulatory conformance.	Only clarifying questions on this request were received.
9	Account Number Listing	In order to expedite the transfer process and to allow us to check account data prior to initiating/confirming a transfer request, an entity needs the ability to quickly look up account information for counterparts before transferring compliance instruments.	Provide the ability to search and confirm account numbers and Entity Reference Codes for CITSS account holders.	Closed – ARB discussed at Jan 16 <sup>th</sup> webinar.  Solution outside of CITSS scope.	CITSS does not present a searchable listing of account numbers and reference codes and was designed in this manner as a response to concerns about system security and disclosure of registered participants.  There are no current plans to change this CITSS design element.	No comments received.

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10.	Historical account balances	Not provided.	Provide a historical account balance report and provide a formal dispute resolution process, in case an account holder identifies discrepancies in their CITSS account balance.	Closed –ARB discussed at Jan 16 <sup>th</sup> webinar.  Proposal anticipated to be included in Release 3.0.	ARB anticipates including the historical account balance report as part of Release 3.0. Due to scheduling concerns, this report may be delayed until Release 4.0.  Dispute resolution process is not a CITSS design feature.	No comments received.
11.	Price disclosure on transfer extracts	Not provided.	Provide an additional column of “price” in the Transfer History Table. At a glance, a price column would help users to more quickly identify specific transfers easily.	Closed –ARB discussed at Jan 16 <sup>th</sup> webinar.  Function already exists in CITSS.	ARB has updated the transfer download to include price information. This updated extract was made available with Release 2.1 on December 11, 2012.	One additional comment received requesting ARB publish the data formats for the transfer history extract. Existing training materials display images of CITSS screens including data extracts.  More information on the extract file is available of page 77 of Volume III of the CITSS guide. Available here: <a href="http://www.arb.ca.gov/citss/#guide">www.arb.ca.gov/citss/#guide</a>
12.	Facility-by-facility allocation accounting	Despite account consolidation, an entity’s internal tracking system continues to track each facility or business unit activities separately for budgeting and performance analysis purpose. Therefore, a line item listing free allowances provided by ARB for each entity included in a consolidated account is necessary to maintain the required internal tracking.	Provide an individual listing of free allowances for each facility included in a consolidated account in the CITSS. A less preferable method, but workable, is for ARB to provide this information in an official email or letter.	Closed –ARB discussed at Jan 16 <sup>th</sup> webinar.  Solution outside of CITSS scope.	ARB anticipates updating the CITSS to reflect the account consolidation conducted over the fall and early winter of 2012. Each entity registered in CITSS will be able to view and manage the facilities it is in charge of, but this information is limited to description data (GHG ID, addresses, etc.) and is not anticipated to include allocations.  ARB will continue to allocate allowances to the consolidated entity level.	Only clarifying questions on facility management functionality were received.  Individual facility allocation data can be provided outside of the CITSS through a process established by ARB staff.  Additional information available here: <a href="http://www.arb.ca.gov/cc/capantrade/allowanceallocation/allowanceallocation.htm">http://www.arb.ca.gov/cc/capantrade/allowanceallocation/allowanceallocation.htm</a>

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13.	More Account Representatives needed	An entity with only two account representatives has difficulty completing CITSS transfers.	Provide the ability for just one person to complete transfers in the CITSS.	Closed – Addressed via email and at Jan 16 <sup>th</sup> webinar.  Function already exists in CITSS.	The requirement for two representatives is a regulatory requirement to participate in a transaction and is required in response to specific concerns about system security.  The CITSS has been updated to allow an entity to designate one PAR and as many as four AARs, thus minimizing the limitation posed by only two representatives.	No comments received.
14.	Receipt for instruments purchased at auction	An entity has an obligation to maintain sound accounting practice for business and government reporting and audit. Presently, no formal receipt is provided by ARB for the payment of allowances purchased from the auction. A receipt of payment of allowances purchased would facilitate good accounting practice.	Provide an official ARB receipt for the purchase of allowances from ARB auction.	Closed – ARB discussed at Jan 16 <sup>th</sup> webinar.  Solution outside of CITSS scope.	Issue is not a CITSS function so the issue will not be addressed in this forum.  ARB is currently working with our Auction Administrator and Financial Services Administrator to develop a more formalized invoice process for allowances purchased at auction.	Stakeholders supported the ARB solution.
15.	Receipt for instruments purchased at auction	Same as #14.	Same as #14.	Closed – Same as #14.  Solution outside of CITSS scope.	Same as #14.	Stakeholders supported the ARB solution.
16	Auction settlement	n/a	Publish auction settlement and consignment revenue information through CITSS.	Closed – ARB discussed at Jan 16 <sup>th</sup> webinar.  Solution outside of CITSS scope.	Auction settlement and consignment revenue reporting is not planned for CITSS.	No comments received.

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17	Bid Submission Confirmation	Many entities are required to report to internal authorities that do not have access to the CITSS, and a simple confirmation message would provide documentation to meet such obligations without breaching CITSS constraints or confidentiality.	Provide a simple confirmation message to bidders upon successful submission of a bid during an auction.	Closed- ARB discussed at Jan 16 <sup>th</sup> webinar.  Solution outside of CITSS scope.	Issue is not a CITSS function so the issue will not be addressed in this forum.  A bid confirmation process including a Client Bid Audit Report will be available in the Auction Platform for the February 2013 auction.	No comments received.
18.	Examples of frequent mistakes	Not provided.	Provide a document on the ARB website that identifies "Frequently Made Mistakes" by CITSS users and auction participants. In addition to providing examples of errors made while using or applying for CITSS accounts, also provide detailed instructions on how such problems can be remedied or avoided in the future.	Closed –ARB discussed at Jan 16 <sup>th</sup> webinar.  Solution outside of CITSS scope.	Issue is not related to CITSS functionality so it will not be addressed in this forum.  ARB will review how this type of information can be integrated into CITSS communications, including user guides.	No comments received.
19.	Transfer Data Extract	An entity uses the CITSS transfer and account exports for auditing and allowance tracking.	Provide more information on the CITSS transfer extract files. Include the following: (1) Transfer comments (2) Settlement Date (3) Agreement Date	Closed - To be discussed at Jan 30 <sup>th</sup> webinar.  Proposal anticipated to be included in future Release.	ARB anticipates providing the additional fields in the data extract as part of Release 3.0 and will work to include all fields entered during the transfer proposal stage. (1) Transfer comments (2) Settlement/Agreement dates (3) Transfers between corporate associates	
20.	POU Allocation Distribution	An entity needs to track their allocated allowances which are distributed to other registered CITSS participants due to emissions obligations and existing contracts.	For POU allowance allocation, provide information in the CITSS identifying the allocation source and the recipient of the free allocation.	Closed -To be discussed at Jan 30 <sup>th</sup> webinar.  Solution outside of CITSS scope.	ARB is considering providing more information outside of the CITSS on the distribution of POU allowances.  This issue was discussed at a January 25 <sup>th</sup> public workshop. Presentation available here: <a href="http://www.arb.ca.gov/cc/capandtrade/meetings/01252013/presentation.pdf">http://www.arb.ca.gov/cc/capandtrade/meetings/01252013/presentation.pdf</a>	

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21.	Exchange Integration	An exchange provider would like to be able to conduct electronic settlement of allowances and offsets that are spot traded on exchange.	Provide an interface to connect CITSS to market exchanges to record spot transfers of allowances and offsets on external exchanges. Either: (1) Publish a web service API for spot trades, or (2) Process encrypted emails and .csv files.	Closed - To be discussed at Jan 30 <sup>th</sup> webinar.  Proposal not anticipated to be completed due to complexity/cost.	ARB does not intend to implement any additional APIs for CI transfers at this time.  Regulatory provisions allow for exchange-clearing providers to participate in CA program via exchange clearing holding accounts.	
22	Serial Numbers	Market participants need serial numbers to access financing, for example: offset purchasers need serial numbers to ensure the offsets they receive are the same as those purchased.	Provide account holders the serial numbers of compliance instruments they hold and transact.	Closed -To be discussed at Jan 30 <sup>th</sup> webinar.  Solution outside of CITSS scope.	Account holders currently 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.	