

## **Preparing for the 2015-2017 Triennial Compliance Obligation**

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The second California Cap-and-Trade Compliance Period (CP2) ended on December 31, 2017. The Compliance Period covers emissions during the years 2015, 2016, and 2017. The 2015-2017 Full Compliance Period Compliance Obligation is referred to as the triennial compliance obligation in CITSS. The CP2 triennial compliance obligation deadline is: [November 1, 2018, 5:00 PM Pacific Time](#).

This document outlines the key actions that the Primary Account Representative (PAR) and/or Alternate Account Representatives (AAR) should undertake to ensure an entity's compliance obligation is correctly calculated and that an adequate number of eligible compliance instruments (eligible allowances and limited offsets) have been transferred to the compliance account before the deadline.

This document provides the following guidance:

- Summary of the Triennial Compliance Obligation
- How to Review Facility Information
- How to Review Verified Facility Emissions
- How to Estimate the Triennial Compliance Obligation
- Quantitative Usage Limit
- Understanding Eligible Instruments
- Understanding True-Up Quantity
- How to Review Compliance Obligation Details in CITSS
- Understanding a CAISO Requirement Assigned to a Triennial Compliance Obligation



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CARB Help Desk Services are available during the hours of 8:00 AM to 5:00 PM Pacific Time.

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## Summary of 2015-2017 Triennial Compliance Obligation

- The California CP2 triennial compliance obligation deadline is: [November 1, 2018, 5:00 PM Pacific Time](#)
- Triennial compliance obligation is the sum of emissions in 2015, 2016, and 2017 minus instruments retired during the annual compliance obligations in 2016 (to meet 30 percent of 2015 emissions) and 2017 (to meet 30 percent of 2016 emissions).
- An account representative must transfer eligible instruments to the compliance account before the deadline.
- Allowances of vintage 2017 or earlier are eligible and can be used to fulfill the compliance obligation. In limited circumstances, some vintage 2018 and/or 2019 allowances can be used if an entity has a True-up Quantity.
- Up to 8 percent of the compliance obligation for the compliance period can be fulfilled using offsets of any vintage.
- Failure to fulfill the compliance obligation by the deadline results in an Untimely Surrender Obligation that is four times (4X) the deficit.

CP2 ended on December 31, 2017. The Compliance Period covers emissions during the years 2015, 2016, and 2017. Verified 2017 emissions were due to CARB in August 2018.

The triennial compliance obligation is the sum of verified emissions in 2015, 2016, and 2017 minus any instruments retired during the annual compliance obligations in 2016 (to meet 30 percent of 2015 emissions) and 2017 (to meet 30 percent of 2016 emissions).

The triennial compliance obligation can be fulfilled using allowances with a vintage of 2017 or earlier. The number of allowances by vintage does not have to match the vintage requirements of the previous annual obligations. In limited circumstances, entities with a true-up quantity can also use vintage 2018 and/or 2019 allowances.

The quantitative usage limit for offsets is 8 percent of the total compliance obligation. Offsets of any vintage are eligible.

The CITSS compliance module shows the triennial compliance obligation and determines pending compliance status to assist account representatives in determining if sufficient eligible instruments have been transferred to the compliance account. CARB expects to open the CITSS compliance module in early October 2018.

An account representative must transfer eligible instruments into the compliance account before the CP2 compliance deadline on [November 1, 2018 at 5 PM Pacific Time](#).

## How to Review Facility Information

- Compliance obligations are based on facility emissions. CITSS sums facility emissions to create an entity compliance obligation.
- An account representative should review the entity account to assure the correct facilities are included.

Facility emissions are the basis of the compliance obligation calculation, so it is important that account representatives periodically review facility information in CITSS to ensure accuracy in which facilities are associated with the CITSS account.

An entity account can have multiple associated facilities and sources. CITSS identifies each facility or source by a unique CITSS Facility ID. Further, each facility/source has a GHG Emissions Reporting ID. This reporting ID originates from the CARB Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (MRR) and is the link between reported emissions and CITSS. Each year, CARB loads verified emissions submitted under MRR into CITSS prior to calculation of annual or triennial compliance obligations.

An account representative should confirm that (1) correct facilities are associated with the entity, (2) correct facilities are active, and (3) facilities have the correct GHG Emissions Reporting ID.

## CITSS Page: Facility Information

[Home](#) > [My Account](#) > [Facilities Tab](#)

**Airship Assemblers**

This page shows information for your account or set of accounts. You may propose changes to the information listed under the General and Contact Information pages by selecting Edit Information at the bottom of the pages. You can remove or propose changes to Representatives, and Account Viewing Agents under their respective tabs. You can indicate your interest in participating in the next scheduled auction under the Auction Tab.

**General Account** **Compliance Account**

General | Contact Information | Representatives | Account Viewing Agents | Holding Limits | Auction | **Facilities**

The Facilities tab shows the facilities managed by the entity identified at the top of the screen. The entity is responsible for managing compliance instruments and compliance obligations for these facilities. Information about each facility is available by selecting the link in the Facility Name column. Additional facilities may be added by selecting the Add Facility button. Any facility changes must be accompanied with signed forms authorizing the changes. CITSS forms can be downloaded from the ARB CITSS website, <http://www.arb.ca.gov/citss>. For guidance on how to change facility information, additional CITSS support is available at: <http://wci-inc.org/support.php>

Facility Name	Facility Operating Name	GHG Emissions Reporting ID	Status	Effective Date	Retirement Date	Actions
<a href="#">Airship Hanger Alpha</a>	Factory A1	12345	Active	2018-08-30		No Action
<a href="#">Airship Hanger Beta</a>	Factory A2	12345	Active	2018-08-30		No Action

[CSV](#) [Excel](#) 2 records

## How to Review Facility Verified Emissions

- CITSS calculates the triennial compliance obligation based on verified facility emissions from 2015, 2016, and 2017.
- CITSS shows verified emissions by facility by year.

Compliance obligations are calculated based on verified emissions, which are received by CARB in August of the year following the year emissions occur. After being received, verified emissions are loaded into CITSS and are shown in the Representatives Reports – Emissions Report.

An account representative should confirm that (1) correct verified emissions have been entered in CITSS and (2) emissions are associated with the correct facility.

### CITSS Page: Emissions Report

[Home](#) > [Representative Reports](#) > [Compliance – Emissions Report](#)

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**Emissions**

This page allows a user to produce an Emissions Report. The search function allows searching by Budget Year, CITSS Entity ID, Entity Legal Name, Facility Name, and GHG Emissions Reporting ID. Selecting the "Search" button generates the Emissions Report for the selected criteria. The search results are presented in tabular form in the bottom half of the screen and may be more than one page in length. The table is sortable (ascending or descending) by clicking on the column titles. Additional pages are accessed using the page numbers below the table on the left. This table can be exported in its entirety to CSV or Excel format by selecting the appropriate link below the table on the right. Selecting the "Clear" button clears the search fields.

Budget Year

CITSS Entity ID

Entity Legal Name

Facility Name

GHG Emissions Reporting ID

Results per page

Budget Year	CITSS Entity ID	Entity Legal Name	Facility Name	GHG Emissions Reporting ID	Emissions (metric tons CO <sub>2</sub> e)	Updated Date/Time
2017	CA1000	Airship Assemblers	Airship Hanger Alpha	12345	50,000	2018-09-04 12:39:58 EDT
2017	CA1000	Airship Assemblers	Airship Hanger Beta	12345	50,000	2018-09-04 12:39:58 EDT
2016	CA1000	Airship Assemblers	Airship Hanger Alpha	12345	50,000	2018-08-31 18:33:51 EDT
2016	CA1000	Airship Assemblers	Airship Hanger Beta	12345	50,000	2018-08-31 18:33:51 EDT
2015	CA1000	Airship Assemblers	Airship Hanger Alpha	12345	50,000	2018-08-30 13:10:36 EDT
2015	CA1000	Airship Assemblers	Airship Hanger Beta	12345	50,000	2018-08-30 13:10:36 EDT

[CSV](#) [Excel](#) 6 records

## How to Estimate the 2015-2017 Triennial Compliance Obligation

- The triennial compliance obligation is the sum of emissions in 2015, 2016, and 2017 minus instruments retired during the annual compliance obligations in 2016 (to meet 30 percent of 2015 emissions) and 2017 (to meet 30 percent of 2016 emissions).
- CITSS calculates the triennial compliance obligation when CARB loads verified emissions.

Entities are able to estimate their triennial compliance obligation before CARB receives the final year verified emissions and loads the information into CITSS. The following example demonstrates calculation of the 2015-2017 triennial compliance obligation for an entity with covered emissions of 100,000 metric tons each year.

<i>Sum the verified covered emissions for the years 2015-2017.</i>	100% of 2015 Emissions	100,000
	100% of 2016 Emissions	100,000
	100% of 2017 Emissions	100,000
	<hr/>	
	Total Emissions	300,000
<i>Subtract instruments retired for 2015 and 2016 annual obligations.</i>	30% of 2015 Emissions	30,000
	30% of 2016 Emissions	30,000
	<hr/>	
	Instruments Retired	60,000
<b>Instruments needed to fulfill triennial compliance obligation</b>		<b>240,000</b>

## Quantitative Usage Limit

The quantitative usage limit allows up to 8 percent of the total number of compliance instruments submitted to fulfill the entity's compliance obligation for the compliance period to be from California or Québec-issued offset credits. Recognizing that the quantitative usage limit references the total number of compliance instruments submitted to fulfill the entity's compliance obligation for the compliance period, the 8 percent limit includes any offsets surrendered for the annual compliance obligations in 2016 (to meet 30 percent of 2015 emissions) and 2017 (to meet 30 percent of 2016 emissions) as well as the triennial compliance obligation in 2018 (to meet all remaining emissions from 2015, 2016, and 2017).

In the above example, the total number of compliance instruments submitted to fulfill the entity's compliance obligation for the compliance period is 300,000, and the number of offsets that could be used is calculated as  $300,000 \times 0.08 = 24,000$  offsets.

<i>Calculate 8 percent of total emissions</i>	$300,000 \times .08$	24,000
<i>Subtract offsets retired in annual obligations.</i>		
Number of offsets retired in 2016 to meet 2015 emissions		-8,000
Number of offsets retired in 2017 to meet 2016 emissions		-1,000
		<hr/>
Number of offsets that can be used for the triennial compliance obligation		15,000

## Understanding Eligible Instruments

- Eligible Instruments for the 2015-2017 triennial compliance obligation are:
  - Allowances of vintage 2017 or earlier are eligible.
  - Allowances with no vintage are always eligible.
  - Offsets of any vintage are eligible.
- An entity can use a limited number of 2018 and/or 2019 vintage allowances if the entity has True-up Quantity.

Eligible allowances for a compliance obligation include all allowances with a vintage equal or earlier than the year for which the compliance obligation is calculated. It is possible to use a limited number of current or future vintage allowances if assigned a true-up quantity (see next page). Offsets of any vintage are eligible subject to the quantitative usage limit of 8 percent. Allowance Price Containment Reserve Allowances (called PCRAs in CITSS) include allowances from a Jurisdiction's reserve account. PCRAs do not have a vintage and are always eligible.

CITSS will only retire the number of instruments necessary to fulfill the compliance obligation. The Eligible Instruments for Retirement screen shows the order that instruments are retired during compliance. Excess instruments are left in the compliance account.

### CITSS Page: Eligible Instruments for Retirement Report

[Home](#) > [Representative Reports](#) > [Compliance – Eligible Instruments for Retirement](#)

**Eligible Instruments for Retirement**

This page allows users to view a list of eligible instruments with the retirement order for an obligation period. Enter the Jurisdiction, Budget Year(s) and Obligation Type, then select the "Submit" button to generate the list. If a California jurisdiction entity that you represent has been assigned a True-Up Quantity, entering the entity ID will show the remaining True-up Quantity that can be used to satisfy a compliance obligation for the selected Budget Year(s) and Obligation Type.

Jurisdiction: \* California  
Budget Year(s): \* 2015-2017  
Obligation Type: \* Triennial  
CITSS Entity ID:

The following information is provided as guidance. Users should consult the Regulation for specific retirement order requirements. The CITSS instrument retirement order for this obligation is:

1. Offset credits.
  - a. Oldest retired first.
  - b. Subject to quantitative usage limit, 8% of emissions with a compliance obligation.
2. Price Containment Reserve Allowances.
3. Other non-vintage Allowances.
4. Allowances of vintage equal to the obligation budget year or earlier.
  - a. Oldest retired first.
5. Allowances allocated for the purpose of True-up and transferred to the compliance account.
  - a. Oldest retired first.

← Retirement Order

## Understanding True-Up Quantity

- CARB provides a true-up quantity to an entity that receives additional allowances in an annual allocation to account for changes in production or allocation not properly accounted for in prior allocations.
- True-up quantity is based on facility emissions and a previous allocation.
- True-up quantity allows an entity to use a specified number of future vintage allowances to fulfill compliance obligation(s) for an earlier period than the vintage of the allowances.

True-up quantity is assigned and allowances are allocated to reflect changes in emissions due to a change in production or allocation not properly accounted for in prior allocations. If a true-up quantity is assigned, 2018 and 2019 allowances in the amount of the true-up quantity can be used for the 2015-2017 triennial compliance obligation.

CITSS shows Assigned True-Up Quantity in the True-Up Quantity Report. Budget year is the year of the original allocation. Additional allowances that are allocated to account for changes in emissions will always be the vintage two-years following the Budget Year. For example, if a true-up quantity is assigned due to changes in 2017 emissions, then vintage 2019 allowances are allocated.

If an entity has been assigned true-up quantity, the maximum number of 2018 and/or 2019 allowances that can be used is the Remaining True-Up Quantity for each vintage shown on the Compliance Obligation Detail Report.

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### True-Up Quantity

This page allows a user to produce a True-Up Quantity Report. The search function allows searching by Budget Year, CITSS Entity ID, Entity Legal Name, Facility Name, and GHG Emissions Reporting ID. Selecting the "Search" button generates the True-Up Quantity Report for the selected criteria. The search results are presented in tabular form. The table is sortable (ascending or descending) by clicking on the column titles. Additional pages are accessed using the page numbers below the table on the left. This table can be exported in its entirety to CSV or Excel format by selecting the appropriate link below the table on the right. Selecting the "Clear" button clears the search fields.

Budget Year

CITSS Entity ID

Entity Legal Name

Facility Name

GHG Emissions Reporting ID

Results per page

Budget Year	CITSS Entity ID	Entity Legal Name	Facility Name	GHG Emissions Reporting ID	Assigned True-Up Quantity	Updated Date/Time
2016	CA1000	Airship Assemblers	Airship Hanger Alpha	12345	1,000	2018-08-31 11:48:24 EDT
2016	CA1000	Airship Assemblers	Airship Hanger Beta	12345	1,000	2018-08-31 11:48:24 EDT
2015	CA1000	Airship Assemblers	Airship Hanger Alpha	12345	1,000	2018-08-31 11:18:26 EDT
2015	CA1000	Airship Assemblers	Airship Hanger Beta	12345	1,000	2018-08-31 11:18:26 EDT

[CSV](#) [Excel](#) 4 records



## How to Review Compliance Obligation Details in CITSS

- The Compliance Obligation Detail Page is unavailable until after verified facility emissions have been loaded and the compliance obligation has been calculated (early October).
- The Compliance Obligation Details Page presents all relevant information for a selected compliance obligation.
- CITSS evaluates instruments in the compliance account and calculates if there are enough eligible instruments to fulfill the compliance obligation.

CITSS provides a screen with all the pertinent information for a past or pending compliance obligation. The screen is called the Compliance Obligations Detail Report. The *Current Tab* is the default page with filters to choose the desired current or future compliance obligation. The *Past Tab* must be selected to review the information from past compliance obligations. The fields can be used to search for a specific compliance obligation.

To choose the desired compliance obligation, select the [hyperlink](#) in the CITSS Entity ID column to open the Compliance Obligations Detail Page.

### CITSS Page: Compliance Obligations Page

[Home](#) > [Representative Reports](#) > [Compliance Obligations – Current Tab](#)

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### Compliance Obligations

This page allows users to view information regarding current or past Compliance Obligations by selecting the appropriate tab at the top of the page. The Obligation Period column identifies the Budget Year(s) and the type of Compliance Obligation. Selecting the hyperlink in the CITSS Entity ID column switches to the Compliance Obligation Detail page which presents additional information about the selected Compliance Obligation. If the Compliance Obligation status is In Progress or Not Processed, the hyperlink is unavailable.

The search function allows searching by Budget Year(s), Obligation Type, CITSS Entity ID, and Entity Legal Name. The search results are presented in tabular form in the bottom half of the screen and may be more than one page in length. The table is sortable (ascending or descending) by clicking on the column titles. Additional pages are accessed using the page numbers below the table on the left. This table can be exported in its entirety to CSV or Excel format by selecting the appropriate link below the table on the right. Selecting the "Clear" button clears the search fields.

Current Past

Budget Year(s)

Obligation Type

CITSS Entity ID

Entity Legal Name

Results per page

Obligation Period	Compliance Deadline	Obligation Period Status	CITSS Entity ID	Entity Legal Name	Compliance Obligation	Updated Date/Time
2015-2017 Shortfall	2019-02-01 20:00:00 EST	Open	CA1000	Airship Assemblers	70,500	2018-09-05 20:40:20 EDT
2015-2017 Untimely Surrender	2019-02-01 20:00:00 EST	Open	CA1000	Airship Assemblers	211,500	2018-09-05 20:40:20 EDT
2015-2017 Shortfall	2019-02-01 20:00:00 EST	Open	CA1008	Allstar College	200,000	2018-09-05 20:40:20 EDT

The key components of the compliance obligation details page are highlighted below. Not all of these components will be available to every entity.

## CITSS Page: Compliance Obligation Detail Report

[Home](#) > [Representative Reports](#) > [Compliance Obligations – Current Tab](#)

The screenshot shows the CITSS Compliance Obligation Detail page. The page header includes the WCI, Inc. logo, the CITSS title, and navigation options for English and Français. The user is logged in as 'asmith'. The main content area is titled 'Compliance Obligation Detail' and contains several sections:

- Compliance Obligation Information:** A table with fields like Obligation Period (2015-2017 Triennial), CITSS Entity ID (CA1000), Entity Legal Name (Airship Assemblers), and Compliance Status (Pending Unfulfilled?).
- Compliance Calculation:** A table showing Compliance Obligation (300,000), Instruments Retired (60,000), Balance to Fulfill Obligation (240,000?), Offset Limit (15,000?), and Additional Instruments Needed in Compliance Account (70,500?).
- Instruments in Compliance Account to be Retired:** A table with columns for Vintage, Jurisdiction, Type, Sub-Type, Offset Type, Offset Project ID, Quantity, and Receiving Account.
- Remaining True-up Quantity:** A table with columns for Eligible True-up Vintages and Remaining Quantity.
- Facility Emissions:** A table with columns for Budget Year, Facility Name, Facility Operating Name, GHG Emissions Reporting ID, and Emissions (metric tons CO<sub>2</sub>e).
- Assigned True-up Quantity:** A table with columns for Budget Year, Facility Operating Name, GHG Emissions Reporting ID, Assigned Vintage, and Assigned Quantity.

Red arrows on the right side of the page point to these sections with the following labels:

- Obligation Status (points to Compliance Status)
- Calculation (points to the Compliance Calculation table)
- Instruments to be retired from compliance account. (points to Instruments in Compliance Account to be Retired)
- Remaining True-Up (points to Remaining True-up Quantity)
- Facility Emissions that apply to the selected compliance obligation. (points to Facility Emissions)
- Assigned True-Up Quantity (points to Assigned True-up Quantity)

## Understanding a CAISO Sales Requirement Assigned to a Triennial Obligation

- Covered entities that sell power into the California Independent Systems Operator (CAISO):
  - cannot use allocated allowances to fulfill a compliance obligation resulting from emissions for electricity sold into CAISO markets, and
  - must purchase and surrender allowances equal to the emissions associated with electricity sold into CAISO markets.

CARB allocates allowances to some Electrical Distribution Utilities (EDUs). Those allowances must be consigned to auction and the proceeds used to benefit ratepayers.

When an EDU sells electricity into CAISO markets, the EDU cannot use allocated allowances to fulfill a compliance obligation resulting from emissions associated to those transactions. EDUs that sell electricity into CAISO must have a quantity of eligible compliance instruments in their compliance accounts that were not allocated that is at least equal to its compliance obligation resulting from these sales into CAISO.

For example, an EDU that generates 100,000 metric tons of covered emissions incurs a triennial compliance obligation of 100,000. Of the electricity generated, an amount equal to 20,000 metric tons of covered emissions was sold into CAISO markets. The triennial compliance obligation remains 100,000 (no additional emissions were produced) but a requirement is added to the compliance obligation that the entity must have 20,000 allowances in its Compliance Account that were not allocated to the entity.

### CITSS Page: Compliance Obligation Detail Report

[Home](#) > [Representative Reports](#) > [Compliance Obligations – Current Tab](#)

NAICS Code Display Management	Compliance Obligation	300,000	
Exchange Management	Instruments Retired	100,000	
Cross-Jurisdiction Transfer Permission	Balance to Fulfill Obligation	200,000 ?	
Glossary	Offset Limit	24,000 ?	
	Instruments in Compliance Account to be Retired	N/A ?	
	Additional Instruments Needed in Compliance Account	N/A ?	
	Of the Additional Instruments Needed in Compliance Account, number of instruments that must be purchased to satisfy Total CAISO Value	5,000 ?	

#### Calculation

- Obligation
- Instruments already retired
- Offset limit
- Instruments needed to comply

#### **CAISO Requirement**

*CAISO requirement is shown here when it exists*