

Detailed Auction Requirements and Instructions

California Cap-and-Trade Program, Québec
Cap-and-Trade System, and Ontario Cap-
and-Trade Program Joint Auction of
Greenhouse Gas Allowances

Updated on December 21, 2017



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I. INTRODUCTION

A. Background

Assembly Bill 32 (AB 32) requires California to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020. The initial Scoping Plan and 2017 Scoping Plan Update lay out the steps to reduce California's GHG emissions through 2030, while continuing to seek additional GHG reductions to meet the State's long-term climate goals. The California Cap-and-Trade Regulation (California Regulation) is a key element of California's Scoping Plan. The California Cap-and-Trade Program is administered by the California Air Resources Board (CARB).

Similarly, Québec's Environment Quality Act requires that the province of Québec reduce GHG emissions. The Government of Québec approved the 2013-2020 Climate Change Action Plan (2020 CCAP) as a measure to fight climate change in 2013 and beyond, and adopted the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec Regulation). The Québec Cap-and-Trade System is administered by Québec's ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC).

On May 18, 2016, Ontario passed the *Climate Change Mitigation and Low-Carbon Economy Act, 2015* (the Act). The Act provides the legal foundation for the Ontario cap-and-trade program that will help reduce GHG emissions across the Ontario economy, includes strong compliance and enforcement provisions for the province's cap-and-trade program, and provides for linking Ontario's program with other jurisdictions, including Québec and California. The Cap-and-Trade Program Regulation (O.Reg.144/16), made under the Act, took effect on July 1, 2016. The Regulation includes detailed rules and obligations for businesses participating in the program including provisions to ensure accountability, transparency and to assist in guarding against fraud. The Ontario Cap-and-Trade Program is administered by the Ontario Ministry of the Environment and Climate Change (MOECC).

On September 22, 2017, the agreement to harmonize and integrate (link) the California Cap-and-Trade Program, Québec Cap-and-Trade System, and the Ontario Cap-and-Trade Program was signed. This linkage will become effective on January 1, 2018 thereby enabling the mutual acceptance of compliance instruments issued by each jurisdiction, and the jurisdictions to hold joint auctions of GHG allowances. As part of the California Cap-and-Trade Program, the Québec Cap-and-Trade System, and the

Ontario Cap-and-Trade Program, CARB, MDDELCC, and MOECC will hold joint GHG allowance auctions to allow registered entities to acquire GHG allowances.

This document, the Detailed Auction Requirements and Instructions, includes the detailed requirements and instructions for participating in a joint auction.

Entities registered under the California Cap-and-Trade Program, the Québec Cap-and-Trade System, and the Ontario Cap-and Trade-Program will follow a similar process to apply for and participate in a joint auction; however, there are minor distinctions that are outlined in this document. Entities registered under the California Cap-and-Trade Program should always refer to the California Regulation. Entities registered under the Québec Cap-and-Trade System should always refer to the Québec Regulation. Entities registered under the Ontario Cap-and-Trade Program should always refer to O.Reg. 144/16: The Cap and Trade Program (the Ontario Regulation).

B. General Terms Used in Auction Notices and Supporting Documents

For the purpose of the Auction Notice, Detailed Auction Requirements and Instructions, and Auction Examples documents, the following general terms are used to describe auction requirements, instructions, and systems used. Equivalent terms in each jurisdiction are indicated where terminology differs between the jurisdictions. Throughout these documents, general terms are used when text relates to multiple jurisdictions. Jurisdiction-specific terms are used when text is specific to one jurisdiction.

- **“Account Representatives”** refers to individuals who are designated or authorized to act on behalf of a registered entity. Account Representatives may include a Primary Account Representative (PAR) or an Alternative Account Representative (AAR).
- **“Advance Auction”** refers to the auction of allowances from a future budget year that is three years subsequent to the current calendar year. These allowances are also known as Auction Class 2 emission allowances under the Ontario Regulation.
- **“Applicant”** refers to an entity for which its Primary Account Representative or an Alternate Account Representative has submitted an application in the Compliance Instrument Tracking System Service (CITSS) to participate in an auction or reserve sale (event).

- **“Approval or rejection of auction participation”** refers to the determination to approve or deny an entity’s participation in an auction by CARB per section 95912(d) of the California Regulation, MDDELCC as described in Article 47 of the Québec Regulation, and obtaining permission or refusal of permission to bid in an auction per section 67 of the Ontario Regulation.
- **“Auction Administrator”** refers to IHS Markit, the party contracted by Western Climate Initiative, Incorporated (WCI, Inc.) to provide Auction and Reserve Sale Administrative Services to Linked Jurisdictions.
- **“Auction Exchange Rate”** refers to the exchange rate used in the Auction Reserve Price determination as described in section 95911(c)(3) of the California Regulation, Article 49 of the Québec Regulation, and section 71 of the Ontario Regulation.
- **“Auction Notice”** refers to the official auction notice that will be released for each auction, notifying the public of the upcoming allowance auction as described in section 95912(c) of the California Regulation, Article 45 of the Québec Regulation, and in section 60 of the Ontario Regulation. Release of an Auction Notice marks the beginning of the application period for an auction.
- **“Auction Platform”** refers to the electronic platform through which allowance auctions and reserve sales are conducted. The Auction Platform can be accessed at <https://www.wci-auction.org/ca> (California), <https://www.wci-auction.org/qc> (Québec), or <https://www.wci-auction.org/on> (Ontario).
- **“Auction Reserve Price”** refers to the minimum price at which an allowance will be sold in an auction as described in section 95911(c)(3) of the California Regulation, Article 49 of the Québec Regulation, and section 71 of the Ontario Regulation. Bids submitted with a bid price below the Auction Reserve Price will not be accepted.
- **“Auction Summary Results Report”** refers to the official written summary of results of the auction including the settlement price and list of qualified bidders as described in section 95912(k)(5) of the California Regulation, Article 55 of the Québec Regulation, and section 64 of the Ontario Regulation.
- **“Bank Transfer”** or **“Wire Transfer”** refers to an electronic funds transfer, generally in the context of a bid guarantee sent to the Financial Services Administrator or returned from the Financial Services Administrator. For simplicity, this document uses the term wire transfer.
- **“Bid Guarantee”** refers to the financial assurance required to be provided by auction applicants for the purpose of bidding in an auction, as described in section

95912(j) of the California Regulation, Article 48 of the Québec Regulation, and section 67(1) of the Ontario Regulation. The term “bid guarantee” will be used throughout this document to refer to “bid guarantee” as described in the California Regulation, “financial guarantee” as defined in the Québec Regulation, and “financial assurance” as described in the Ontario Regulation.

- “**Bid Price**” refers to the price offered for an emission allowance.
- “**Business Relationship**” refers to all entities with an “indirect corporate association” that meet the indicia of control in section 95833(a)(4) of the California Regulation; or are in a “business relationship,” direct or indirect, as defined in Article 9 of the Québec Regulation; or are known as persons in a “business relationship” under section 2 of the Ontario Regulation.
- “**CA entity**” refers to all entities registered under the California Cap-and-Trade Program: Covered Entities, Opt-in Covered Entities, and Voluntarily Associated Entities, as defined in the California Regulation.
- “**Capped Participants**” (exclusively under Ontario’s Regulation) refers to entities that are subject to a GHG compliance obligation under Ontario’s Cap-and-Trade Regulation that must be met at the end of the compliance period. Capped Participants include both Mandatory Participants as described in sections 21 to 24 of the Ontario Regulation and Voluntary Participants as described in sections 28 to 31.1 of the Ontario Regulation.
- “**CITSS**” refers to the Compliance Instrument Tracking System Service, the web-based system used to register entities, track allowances and credits from issuance to retirement, and apply to participate in an auction.
- “**Corporate Association Group**” or “**CAG**” refers to a group of separate accounts in CITSS held by entities with a direct corporate association as defined in sections 95833(a)(2), (a)(3), or (a)(5) of the California Regulation, related entities as defined in Article 9 of the Québec Regulation, and related persons as defined in section 2 of the Ontario Regulation. A CAG may include CA entities, ON entities, and QC entities.
- “**Current Auction**” refers to the auction of allowances with a vintage year that is from the current or previous calendar years.
- “**Entity**” refers to a CA entity, QC entity or ON entity.

- **“Financial Services Administrator”** refers to Deutsche Bank National Trust Company, the entity contracted by WCI, Inc. to provide Financial Services Administration for Auction and Reserve Sales to Linked Jurisdictions.
- **“General Market Participant”** refers to entities that do not have a compliance obligation and are registered under the California Regulation as a voluntary associated entity, under the Québec Regulation as a Participant, or under the Ontario Regulation as a Market Participant. A General Market Participant may include a General Market Participant - Organization or General Market Participant – Individual.
- **“General Account”** refers to an account assigned to all entities in CITSS to hold emissions allowances and credits.
- **“Linked Jurisdiction”** refers to California, Ontario, and Québec, whose Cap-and-Trade Programs and Cap-and-Trade System are linked starting January 1, 2018.
- **“ON entity”** refers to all entities registered under the Ontario Cap-and-Trade Program: Capped Participants and Market Participants as defined in the Ontario Regulation.
- **“QC entity”** refers to all entities registered under the Québec Cap-and-Trade System: Emitters in section 2.1 of the Québec Regulation (Opt-in covered entities), and Participants as defined in the Québec Regulation.
- **“Qualified Applicant”** refers to an entity that has submitted an application to participate in an auction or reserve sale and has submitted a bid guarantee that was accepted by the Financial Services Administrator.
- **“Qualified Bidder”** refers to an entity that has submitted an application to participate in an auction or reserve sale, has submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the auction or reserve sale.
- **“Qualified Bids”** are the bids that remain after a qualified bidder’s submitted bids have been evaluated and reduced to meet all bidding limitations.
- **“Reserve Sale”** refers to a sale of allowances as described in section 95913 of the California Regulation, Sale by Mutual Agreement as described in Article 57 of the Québec Regulation, and a sale of reserved Category A, B, or C emissions allowances as described in section 59 of the Ontario Regulation.

- **“Related Entities”** refers to all entities with a “direct corporate association” that meet at least one of the indicia of control in section 95833(a)(2), (a)(3), or (a)(5) of the California Regulation; or are “related entities” as defined in Article 9 of the Québec Regulation; or are “related persons” that satisfy any of the criteria under section 2 of the Ontario Regulation.
- **“Related Persons”** (Specific to the Ontario Cap-and-Trade Program) refers to two people that have one or more of the relationships described in section 2 of the Ontario Regulation whereby:
 - (1) They have a business relationship and one of the people has a degree of direct or indirect ownership or control over the other person (e.g., over 50% of voting rights, common stock, other business control) as described in section 2;
 - (2) One person controls more than 50 per cent of the other person by any means whether or not they have a business relationship;
 - (3) A single individual acts as an account representative of both persons and is an employee of one of the persons; or
 - (4) one or both of the people have other related persons which makes the other person related to those related persons as described in section 2(2.1).
- **“Settlement Price”** is the price that all successful bidders will pay for their allowances, as described in in section 95802 of the California Regulation, in section 52 of the Québec Regulation, and in section 75 of the Ontario Regulation. For California, it is also the price to be paid to those entities which consigned allowances to an auction. In the Ontario Regulation, the Settlement Price for the Current Auction is referred to as “lowest bid price (Auction Class 1),” and the Settlement Price for the Advance Auction is referred to as “lowest bid price (Auction Class 2).”
- **“User”** refers to an individual who has undergone the process to obtain a valid CITSS User ID approved pursuant to the California Regulation, Ontario Regulation,¹ or Québec Regulation.

¹ In Ontario, this is an individual who has undergone the Recognition as an Account Agent process pursuant to the Ontario Regulation and is referred to as an Account Agent.

C. Dates of 2018 Joint Auctions

Joint Auctions anticipated to take place in 2018 are as follows:

- February 2018 Joint Auction #14: February 21, 2018
- May 2018 Joint Auction #15: May 15, 2018
- August 2018 Joint Auction #16: August 14, 2018
- November 2018 Joint Auction #17: November 14, 2018

II. AUCTION ADMINISTRATION

A. Allowances Offered for Sale

Allowances offered for sale during a joint auction are issued under the California Cap-and-Trade Program, the Québec Cap-and-Trade System, and the Ontario Cap-and-Trade Program. The number of allowances listed in the Auction Notice for the Current Auction includes the total number of allowances California, Québec, and Ontario offer for sale and California allowances consigned by electrical distribution utilities and natural gas suppliers (consigning entities) and potentially by other parties as described in the California Regulation.

The allowances listed for the Current Auction can include allowances that remain unsold from an undersubscribed² Current Auction in prior quarters and are returned to auction after two consecutive Current Auctions have resulted in a settlement price above the Auction Reserve Price. Additional allowances may also be made available for auction from closed Compliance Instrument Tracking System Service (CITSS) accounts, allowances submitted for untimely surrender obligations, and the return of freely allocated allowances as the result of an enforcement settlement.

In each of these situations, the vintages may not be the same as the current calendar year, or the allowances may be an allowance type with no vintage if they were issued under the Québec Regulation as an Early Reduction Credit or purchased from a jurisdiction's Reserve Sale. For allowances awarded in the Current Auction, allowances will be transferred to successful bidders' CITSS accounts pursuant to the requirements of the California Regulation, Québec Regulation, and Ontario Regulation.

² An undersubscribed auction is an auction with total qualified bids less than the total allowances offered for sale. For specific treatment of unsold allowances in California's program, see the [Guidance on Treatment of Unsold Allowances](#) on the California auction webpage.

B. Auction Exchange Rate and Auction Reserve Price

The Auction Exchange Rate and Auction Reserve Price are required for joint auction currency management. The Auction Exchange Rate (USD to CAD FX Rate) in effect for the joint auction and for financial settlement by auction qualified bidders will be set the business day prior to the joint auction as the most recently available daily exchange rate for U.S. and Canadian dollars as published by the Bank of Canada. In the Auction Platform, the Auction Exchange Rate is displayed as USD to CAD FX Rate. QC and ON entities may participate in joint auctions using either currency USD or CAD. CA entities may only participate in joint auctions using USD.

The Auction Reserve Price will be determined as the higher of the Annual Auction Reserve Prices established in U.S. and Canadian dollars after applying the established Auction Exchange Rate (USD to CAD FX Rate). The Auction Reserve Price is the minimum price at which allowances offered in the Current Auction and Advance Auction will be sold. Bids submitted with a Bid Price below the Auction Reserve Price will not be accepted.

The value of all bids and bid guarantees submitted in CAD will be converted into USD in whole cents using the established Auction Exchange Rate to conduct the auction settlement price determination in a single currency. All bid assessments, the settlement price, and the cost of all allowances awarded will be determined in USD. For any QC or ON entity participating using CAD, the total cost of allowances determined in USD is converted to CAD based on the established Auction Exchange Rate to allow the entity to complete financial settlement in CAD.

Provided below is an example of the determination of the Auction Reserve Price of an auction event held in 2018 based on the 2018 Annual Auction Reserve Prices published by Linked Jurisdictions and a hypothetical Auction Exchange Rate.

The 2018 Annual Auction Reserve Prices are:

- \$14.53 USD (California),
- \$14.35 CAD (Québec), and
- \$14.68 CAD (Ontario).

The Annual Auction Reserve Price established in Canadian dollars is \$14.68 CAD because this is the higher of the 2018 Annual Auction Reserve Prices established by Québec and Ontario. If the Auction Exchange Rate is determined as 1.1000 (USD to CAD FX Rate), then the Annual Reserve Price of \$14.53 USD would be the higher of the Annual Auction Reserve Prices established in U.S. and Canadian dollars (\$14.53 USD is higher than $\$14.68 \text{ CAD} / 1.1000 = \13.3455 USD , which rounds to \$13.35

USD). The amounts shown in bold in Table 1 below reflect the values that would be the Auction Reserve Price in USD (\$14.53) and in CAD (\$14.53 USD * 1.1000 = \$15.9830 CAD, which rounds to \$15.98 CAD).

Table 1: Example Auction Exchange Rate and Auction Reserve Price Determination

Auction Exchange Rate (USD to CAD)	1.1000
Annual Auction Reserve Price Established in U.S. Dollars (USD)	\$14.53
Annual Auction Reserve Price Established in U.S. Dollars (CAD Value)	\$15.98
Annual Auction Reserve Price Established in Canadian Dollars (CAD)	\$14.68
Annual Auction Reserve Price Established in Canadian Dollars (USD Value)	\$13.35

The Auction Reserve Price presented in USD and CAD in Table 1 and in the previous paragraph is NOT the Auction Reserve Price in effect for any auctions scheduled in 2018. The exchange rate of 1.1000 (USD to CAD) is for example purposes only, and not representative of the actual anticipated exchange rate for any auction. The Auction Reserve Price and Auction Exchange Rate in effect for each joint auction will be determined and displayed in the Auction Platform one (1) business day prior to the auction.

C. Auction Application Requirements

The sections below outline the requirements that must be met before an entity can apply to participate in an auction. The steps required to apply to participate in an auction are discussed in Section VI of this document.

1. Entity CITSS Account

An entity must have an approved account in CITSS before applying to participate in an auction or reserve sale (event). Additionally, an individual must be approved as an account representative of an entity in order to submit an application to participate in an event and/or bid on behalf of that entity.

2. CITSS Representative and Entity Account Information

Certain entity information submitted to the jurisdiction as part of the process of registering in CITSS for an account, or updated after approval of a CITSS account, will be included as part of the entity's auction application information. This includes:

- a) Corporate identity, ownership, and capital structure of the entity;
- b) The existence of any related entities or business relationships; and

- c) The allocation of the purchase limit and holding limit within a Corporate Association Group (CAG), if applicable.

Most information related to corporate identity is submitted in CITSS while information related to corporate ownership, capital structure of the entity, the existence of any related entities or business relationships, and any allocation of the purchase limit and holding limit within a CAG, is submitted by hard copy or electronic form outside of CITSS.

Entities are required to ensure that their account information in CITSS and on file with the registering jurisdiction is up-to-date prior to each event the entity intends to participate in:

- For CA entities, all changes in auction application information listed in Section 95912(d)(4) of the California Regulation, including those that require submittal of hard copy or electronic documentation such as the Auction Attestation, must be submitted prior to the close of the auction application period. Pursuant to section 95833(e)(4) of the California Regulation, corporate association disclosures related to another registered entity prior to an auction must be completed no later than ten days before the auction application deadline (forty days prior to the date the auction is held).
- For QC entities, the Québec Regulation requires that all changes to information required under section 7 concerning the identity, establishment, structure, and business relationships of the entity and all hard copy documentation accompanying these changes must be submitted a minimum of forty (40) days prior to the date the auction is held.
- For ON entities, all changes required to be made under section 67 of the Regulation (i.e., any information required to be updated as a condition of the participant's registration) must be made in CITSS and all hard copy documentation accompanying changes in CITSS must be submitted a minimum of forty (40) days prior to the date the auction is held.

If during an auction application period, an entity needs to add, remove, or update the entity information, this should be completed prior to an auction application being submitted where possible. If any change to entity account information is completed after an auction application is submitted, it may limit the entity's ability to be approved to participate in the auction.

If during an auction application period, an entity needs to add, remove, or change the current account representatives this should be completed as soon as possible. If any

change to entity account representatives is not reflected in CITSS, it may limit the account representatives' ability to represent an entity in an auction.

To update account representative or entity account information in CITSS, the following steps should be followed:

- a) Enter changes as needed in CITSS. CITSS can be accessed at <https://www.wci-citss.org> or from the Linked Jurisdictions' and WCI, Inc.'s webpages.
- b) Complete and submit any forms or hard copy documentation required to support the changes entered in CITSS in accordance with regulatory requirements.
- c) Approval by the jurisdiction Registrar should occur within ten (10) business days of receiving all required hard copy documentation.

3. *Participation by Related Entities*

California's Cap-and-Trade Program linked with Québec's Cap-and-Trade System on January 1, 2014, and will link with Ontario's Cap-and-Trade Program on January 1, 2018. All entities must disclose related entities and business relationships with entities registered under the California Cap-and-Trade Program, entities registered under the Québec Cap-and-Trade System, and entities registered under the Ontario Cap-and-Trade Program.

Entities registered in CITSS must disclose all related entities and business relationships, as specified in section 95830 and defined in sections 95833(a)(2), (a)(3), or (a)(5) of the California Regulation, Article 9 of the Québec Regulation, or section 2 and Schedule 1 of the Ontario Regulation.

Any entity that wishes to participate in a joint auction must provide updated information including information on related entities and business relationships no later than 40 days before the joint auction. Information on related entities must include how the holding limits and purchase limits will be shared with other entities registered in either California, Québec, or Ontario with which they are related entities.

If an entity that is not participating in an auction is a related entity with another entity that wishes to participate in a joint auction, both entities must provide updated information, including information on related entities and business relationships no later than 40 days before the joint auction. This updated information includes how the holding limits and purchase limits will be shared with other entities registered in either California, Québec or Ontario with which they are related entities. These disclosure requirements (by all related entities) are a condition of participation for all entities that wish to participate in a joint auction.

Providing incomplete or inaccurate information regarding related entities may cause an entity's auction application to be rejected.

Related entities must share purchase and holding limits and declare all such associations with the applicable jurisdiction(s). Entities in a CAG are required to allot portions of the holding limit and purchase limit among themselves, pursuant to sections 95830(c)(1)(I) and 95833(d)(1)(E) of the California Regulation, sections 40, 42 and 69 of the Ontario Regulation, and Articles 33 and 50 of the Québec Regulation.

For CA entities, the California Regulation requires CARB to provide a consolidated set of accounts to entities that have a direct corporate association. Direct corporate associates may choose to register for separate entity accounts in CITSS, with purchase and holding limits shared among members of the CAG. Entities that choose not to be in a consolidated account are referred to in the California Regulation as entities who have chosen to "opt-out" of consolidation. Any entity that has an approved CITSS account can apply to participate in an auction.

Any change to an entity's registration information listed in section 95830(c) of the California Regulation must be updated within thirty (30) calendar days from the effective date of the changes, or as otherwise specified in section 95830(e) of the California Regulation for California entities. Pursuant to section 95833(e) of the California Regulation, any changes to corporate associations related to entities registered in the California Cap-and-Trade Program must be updated within thirty (30) calendar days of the change or no later than 10 calendar days prior to the auction application deadline, whichever is sooner. If a change to the corporate association affects auction participation, that change, and any additional actions required by that change, must be approved prior to the end of an auction application period or the entity(ies) involved may not be able to participate in the auction.

For QC entities, any change to the entity's business relationships provided pursuant to section 9 of the Québec Regulation must be communicated within 30 days from this modification. Also, pursuant to Article 33 of the Québec Regulation, any changes to allocation or the overall holding limit and purchase limit among the members of a CAG must be submitted within thirty (30) calendar days of the change or a minimum of forty (40) days prior to the date the auction is held, whichever is sooner.

For ON entities, pursuant to sections 26, 34, 37 and 67 of the Ontario Regulation, any changes to business relationship information that is required to be submitted as a condition of participant registration in the Ontario Cap-and-Trade Program must be submitted within thirty (30) calendar days of the change and a minimum of forty (40)

days prior to the date the auction is held, whichever is sooner. This includes, but is not limited to, information such as:

- Corporate identity, ownership, and capital structure of the applicant;
- The existence of any business relationships or any information on related entities; and
- An allocation of the purchase limit and holding limit among members of a CAG, if applicable.

Most information related to corporate identity would be submitted in CITSS, while information related to corporate ownership, capital structure of the applicant, the existence of any parent company, subsidiaries and other business relationships, and allocation of the purchase limit and holding limit among members of a CAG would be submitted using the “Corporate Associations and Structure Form” in California, “Structure and Business Relationships Disclosure Form” in Québec, and “Business Relationship Disclosure” form in Ontario.³

For all entities, if a change to related entities or business relationships affects auction participation, that change, and any additional actions required by that change, must be approved prior to the end of an auction application period or the entity(ies) involved may not be able to participate in the auction. Additionally, if any change of ownership becomes effective after an application period ends and prior to the scheduled date for distribution of allowances resulting from an auction, the entities impacted by the change of ownership may not be able to participate in the auction.

More information on auction participation by entities with related entities and business relationships can be found on the jurisdictions’ webpages.⁴

³ The “Business Relationship Disclosure” form is available on the Ontario Central Forms Repository webpage at <http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?OpenForm&ACT=RD&TAB=PROFILE&SRCH=&ENV=WWE&TIT=2139&NO=012-2139E>. The Corporate Associations and Structure Form is available from the CARB CITSS webpage at <https://www.arb.ca.gov/citss>. The Disclosure of business relationships form for Québec is available in the documentation webpage at <http://www.mddelcc.gouv.qc.ca/changements/carbone/documentation-en.htm>

⁴ Guidance on California’s regulatory provision on corporate associations is available in the Corporate Disclosures Guidance (Updated February 2015) document available from the CARB CITSS webpage at <https://www.arb.ca.gov/citss>.

4. Auction Application Information Material Change⁵

An entity may need to change auction application information that is either submitted in CITSS or submitted in hard copy or electronic form outside of CITSS.

For CA entities, once an auction application is approved, entities do not need to enter auction application information for subsequent events unless there is a material change to the auction application information previously approved. If a change is determined to be a material change and is completed since the entity was last approved to participate in an auction, the entity must complete a new auction application.

Entities must either complete and submit an auction application, or confirm and submit its intent to bid, at least thirty (30) days prior to each auction. The processes to submit an auction application and to confirm intent to bid are generally the same. The only difference is that entry of maintained data is not required for submittal of a notice of intent to bid. For simplicity, this document will refer to both the auction application and the notice of intent to bid as the “auction application.”

If a material change occurs to an entity’s auction application information after an auction application period closes, it may limit the entity’s ability to participate in the auction or for an account representative to represent an entity in an auction. A material change to the information contained in an approved application is a change in any application information that could influence a decision by a jurisdiction to approve, or not approve, auction participation. This would include, but is not limited to, a change in ownership, corporate identity (e.g., entity legal name, type of organization, date and place of incorporation, tax identification number), direct or indirect corporate associations with entities registered in CITSS, allocation of the purchase limit or holding limit among associated entities, and any required attestation response. Other changes may be material depending on the specific nature of the change (e.g., change in names of officers and directors, names and contact information for employees with market position knowledge, names and contact information for cap-and-trade consultants).

⁵ Requirements related to submittal of a new auction application if there is a material change to an approved auction application are specific to CA entities to implement Section 95912(e) of the Cap-and-Trade Regulation.

III. AUCTION APPLICATION

A. Submittal of Auction Application

This section outlines the steps for submitting an application to participate in an auction. For each auction, the auction application period starts at least sixty (60) days prior to the auction with the release of the Auction Notice and ends no later than thirty (30) days prior to the auction. The due date for submitting an auction application in CITSS is the date and time the auction application period closes as set out in the Auction Schedule provided in the Auction Notice available from the jurisdictions' webpages.

For each auction, one CITSS entity account representative completes and submits the entity's auction application in CITSS.

Auction application information (such as bid guarantee return instructions) is retained in CITSS once an entity becomes a qualified bidder for an auction or reserve sale (event) (i.e., the auction application submitted for the prior event is approved).

Entities must complete and submit auction application information at least thirty (30) days prior to each auction. CA entities must also submit the Auction Attestation Disclosure described below at least thirty (30) days prior to the first auction in which they wish to participate.

In CITSS, entity representatives can create auction applications, as well as view existing auction applications, using the buttons under the Initiate Event Participation section of the Auction tab. For more details on how to access the Auction tab or create auction applications, please refer to the CITSS Auction and Reserve Sale Event Applications reference material on jurisdiction CITSS webpages⁶. The auction application process includes the following steps, which are described in more detail in the sections that follow:

1. Confirm the event in which the entity intends to bid.
2. Provide information on the form of the bid guarantee to be submitted as well as return instructions for any unused portion of the bid guarantee.
3. Complete the Attestation response in CITSS and submit the auction application.

⁶ For CA entities, see the [User Reference CITSS Version 8.0](https://www.arb.ca.gov/citss) available from the CARB CITSS webpage at <https://www.arb.ca.gov/citss>.

1. Confirm the Event in Which the Entity Intends to Bid

An account representative must access CITSS and identify and initiate an event participation for the auction in which the entity intends to bid. To do so, an account representative must access the Auction tab on the Account Detail page for an entity. From the Auction tab, an account representative will be able to initiate an event participation once an application period is opened for an event.

2. Provide Information on the Form, Currency, and Return Instructions of the Bid Guarantee to be Submitted

The entity account representative must select the form of bid guarantee that the entity intends to submit for the auction. Auction applicants can identify one or a combination of the allowable forms of bid guarantee in CITSS on the Create Event Application/Confirm Existing Data for Event Page. The forms of bid guarantees which may be submitted are specific to the jurisdiction in which the Entity is registered.

For CA entities, a bid guarantee submitted for an auction must be in one or a combination of the following forms:

- Cash in the form of wire transfer; or
- An irrevocable letter of credit; or
- A bond.

All forms of bid guarantee must be in a form that may be accepted by the financial services administrator consistent with U.S. banking laws and bank practices.

For QC entities, a bid guarantee submitted for an auction must be in one or a combination of the following forms:

- Cash in the form of a wire transfer;
- An irrevocable letter of credit (LOC) issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives;
- A letter of guarantee (LOG) issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives.

For ON entities, a bid guarantee submitted for an event must be in one or a combination of the following forms:

- A wire transfer;

- An irrevocable letter of credit (LOC);
- A letter of guarantee (LOG).

Both the LOC or LOG must be issued by a bank within the meaning of the Bank Act (Canada) or issued by a financial services cooperative that is authorized by a statute of Canada or Ontario to carry on business in Canada or Ontario.

Based on the form of bid guarantee selected, the representative will also complete instructions for the return of any unused bid guarantee amounts or physical bid guarantee instruments after the auction is completed.

When a cash bid guarantee is provided, unused cash on deposit will be returned through a Federal Reserve Wire Network (Fedwire) transfer. The return instructions typically require the following information:

- Beneficiary Bank Name
- Beneficiary Bank Routing Number
 - An American Bankers Association (ABA) number or Canadian Routing Number must be provided in the return instructions.
 - A SWIFT/Bank Identifier Code (BIC) should be provided for international transfer of funds. If the Beneficiary Bank and the Financial Services Administrator returning funds are in the same country, a SWIFT/BIC is not required.
 - If a SWIFT/BIC is provided, a Bank Routing Number does not need to be provided.
- Beneficiary Account Name
- Beneficiary Account Number

After an auction is conducted, if return of funds to the qualified bidder requires an Intermediary Bank, such as if a qualified bidder is using a non-U.S. financial institution, additional information may be required and can be submitted in the Intermediary Bank Information section of the Bid Guarantee Return Instructions - Cash Bid Guarantee pane in CITSS.

It is recommended that the entity's account representative contact the Financial Services Administrator to ensure all necessary information for return instructions has been received.

Physical bid guarantee instruments will be returned by FedEx or DHL delivery, and therefore must be returned to a physical address. The return instructions require the following information:

- a) Name of a contact individual
- b) Complete street address for return mailing
 - o Return Address (must be a physical address; no PO Box⁷)
 - o Return City
 - o Return Postal Code
 - o Return State/Province
 - o Return Country
- c) Return Contact Phone Number

The representative must also select the currency in which the bid guarantee will be submitted, either USD or CAD. Entities registered in the California Cap-and-Trade Program can only select USD. QC and ON entities may select USD or CAD and must use the selected currency for participation throughout the auction, including submitting the bid guarantee, submitting bids during the joint auction, and completing financial settlement. **The selected currency cannot be changed after the close of an auction application period.**

All bid guarantees (cash, letters of credit, letters of guarantee, or bonds) must be submitted directly to the Financial Services Administrator, as described in the “Submit a Bid Guarantee” section of this document (Section IV).

3. Complete the Attestation Response in CITSS and Submit the Auction Application

3.1 Complete Attestation Response

The Create Event Application/Confirm Existing Data for Event Page in CITSS includes a required Attestation response. Entity Attestation requirements are specific to the jurisdiction in which the entity is registered. Attestation responses submitted in CITSS are also jurisdiction specific.

⁷ The Financial Services Administrator cannot return physical bid guarantee instruments to a PO Box address as a signature is required to ensure security of the instruments and to allow for confirmation of receipt.

For CA entities, in addition to the attestation response in CITSS, entities must ensure that a proper Auction Attestation Disclosure has been submitted for the application to be considered complete. The California Auction Attestation Disclosure is required to be submitted directly to CARB outside of CITSS. A CA entity must submit an Auction Attestation Disclosure for the first auction an entity participates in after November 2014. After the initial submittal of the Auction Attestation Disclosure, if there are no updates to disclosures, the entity does not need to submit a new disclosure for each subsequent auction. If the entity must provide updates to previously disclosed information, the entity must submit the updated disclosures by no later than the close of the auction application period. A form that can be used to submit the disclosures and guidance about the disclosure are available on the CARB Auction Information webpage.

An account representative of each CA entity must complete the required Attestation response in CITSS to certify if the entity has provided to CARB the Auction Attestation Disclosure required by section 95912(d)(4)(E) disclosing the existence and status of any ongoing investigation or an investigation that has occurred within the last ten years with respect to any alleged violation of any rule, regulation, or law associated with any commodity, securities, environmental, or financial market for the entity participating in the auction, and all other entities with whom the entity has a direct corporate association pursuant to section 95833 that participate in a carbon, fuel, or electricity market. The disclosure must be updated to reflect any change in the status of an investigation that has occurred since the most recent auction application Attestation was submitted.

For CA entities, a “Yes” answer to the Attestation in CITSS indicates that you understand the Regulatory requirements and that you will submit or update the required attestation to CARB by the deadline to apply for the auction. A disclosure can be submitted using the *Auction Application Attestation Disclosure Form* available from the CARB Auction Information webpage.

A “No” answer to the Attestation in CITSS indicates that you understand the Regulatory requirements and that you have no updates to the disclosures since the most recent auction application attestation was submitted.

If a CA applicant has previously submitted a disclosure form, and has no further updates to its most recently submitted form, the applicant may select “No” in CITSS to satisfy the attestation requirement.

For QC entities, a “Yes” answer to the Attestation in CITSS indicates that the account representative completing the application understands the requirements of section 10, paragraph 6 and sections 28 to 31 of Québec Regulation and attests that he or she has

been **found guilty** of an infraction related to any tax act, the Derivatives Act (chapter I-14.01) or its regulations, or the Securities Act (L.R.Q., c. V-1.1) or its regulations, unless he or she has been cleared of charges or obtained a pardon, or has been convicted in a foreign court of an infraction of a related law or regulation that, had it occurred in Canada, would have resulted in criminal or legal proceedings. A “No” answer to the Attestation in CITSS indicates that the representative completing the application understands the requirements of section 10, paragraph 6 and sections 28 to 31 of the Québec Regulation and attests that he or she has **not been found guilty** of an infraction related to the described types of acts and their regulations in Canada or been the subject of criminal or legal proceedings for infractions of similar foreign laws and regulations.

For ON entities, a “Yes” answer to the Attestation in CITSS indicates that the account representative completing the application understands the requirements imposed by law and that there are no updates to the disclosures since the most recent auction application attestation was submitted. A “No” answer to the Attestation in CITSS indicates that the account representative completing the application understands the requirements imposed by law and that the required updates to the disclosure information will be submitted by the deadline of 40 days prior to the auction.

If a representative needs to provide additional information in response to the Attestation, please contact the appropriate jurisdiction contact provided in the Auction Notice.

3.2 Submit the Auction Application

After the Attestation response has been completed, the representative submits the auction application by selecting the “Confirm” button. By submitting the auction application, the representative agrees to have the entity name, entity contact information, account numbers, representative names, representative phone numbers, bid guarantee information, and representative email addresses transferred to the Auction and Reserve Sale Administrator and Financial Services Administrator for the purpose of facilitating participation in the selected event.

B. Receipt of Auction Application

Upon successful submission of an auction application, the entity’s account representatives will receive an email from CITSS with the subject line “CITSS Event Application Update” indicating that there is a change to the application status. The email will only indicate a change in the application status. For information on any change in application status, including acceptance of an application, an account representative can log in to CITSS to confirm the current auction application status.

C. Editing an Auction Application

Auction applications can be edited before the application period has closed. For more details on how to edit an event application, refer to the CITSS user guides and reference material available on linked jurisdiction CITSS webpages.

D. Editing Bid Guarantee Return Instructions

Bid guarantee return instructions can be edited before or after the application period has closed. For more information on how to edit the bid guarantee return instructions, refer to the CITSS user guides and Auction and Reserve Sale Event Applications reference material available on linked jurisdiction CITSS webpages.

E. Cancelling an Auction Application

Auction applications can be cancelled up until the application period closes. Entities that apply to participate in an auction and subsequently decide not to participate can cancel the application in CITSS.

IV. SUBMIT A BID GUARANTEE

A. Bid Guarantee Requirements and Use

After an auction application has been submitted, each applicant that wishes to participate in an auction must submit a bid guarantee directly to the Financial Services Administrator. The Financial Services Administrator will receive and maintain all bid guarantees submitted as financial assurance. All cash bid guarantees submitted will be held in a non-interest-bearing account with the Financial Services Administrator.

Final bid guarantees must be received by the Financial Services Administrator in the currency selected during the auction application process (USD or CAD) by no later than the date listed in the Auction Schedule provided in the Auction Notice.

The amount of the bid guarantee provided to the Financial Services Administrator will be used to set applicant bidding limitations in the auction. The amount of the bid guarantee must be greater than or equal to the applicant's maximum bid value (i.e., maximum value of the bids the applicant intends to submit during the event). Auction bid evaluations and settlement price determinations (including bid assessments, the settlement price, and the cost of all allowances awarded) is conducted in USD. For QC entities and ON entities that are participating in the auction in CAD, the value of the bid

guarantee and the actual maximum value of bids submitted during the auction will be evaluated in USD, based on the Auction Exchange Rate established for the auction. To determine the bid guarantee amount to provide, examples are provided in the Auction Examples document available from the jurisdictions' webpages. These are only examples; applicants are responsible for doing their own calculations to determine the amount of bid guarantee to submit.

B. Bid Guarantee Submittal Process

The process for submitting a bid guarantee includes the following steps, which are described in more detail in the sections that follow:

1. Receive notice that a Financial Services Account has been established or verified.
2. Download Financial Services Delivery Instructions.
3. Submit a bid guarantee to the Financial Services Administrator.

1. Receive Notice that a Financial Services Account has Been Established or Verified

After the auction application is submitted, the Financial Services Administrator will complete the process to establish (first time applicant) or verify (previous applicant) the applicant's Financial Services Account in which the applicant's bid guarantee will be recorded.

Applicants that have not previously established a Financial Services Account and those with changes in related entities and business relationships may need to provide additional information to the Financial Services Administrator to support the account being established or verified.

An individual registered as a General Market Participant - Individual in the California Cap-and-Trade Program, or Participant in the Québec Cap-and-Trade System, or Market Participant in the Ontario Cap-and-Trade Program that is applying to participate in an auction will be required to submit additional documentation to the Financial Services Administrator for the purpose of establishing or verifying the Financial Services Account. The Financial Services Administrator will contact the account holder to obtain any required information.

The Financial Services Administrator will establish or verify a Financial Services Account for each applicant to an auction for purposes of facilitating bid guarantee submission (prior to the auction) and payment for allowances awarded (after auction certification).

An applicant's account representatives will receive an email from CITSS with the subject line "CITSS Event Financial Services Information Update" when the applicant's financial services account number is established or verified and becomes available in CITSS.

2. Download Financial Services Delivery Instructions

Once an applicant's Financial Services Account Number has been established or verified, the account representatives may download the applicant's Financial Services Delivery Instructions from CITSS. The Financial Services Delivery Instructions will include the information needed to submit the bid guarantee, including the Financial Services Account Number, which must be referenced when submitting a bid guarantee to the Financial Services Administrator, as well as wiring instructions for submitting cash by wire transfer and mailing instructions for submitting physical bid guarantee instruments.

To access an applicant's Financial Services Delivery Instructions, an account representative must log in to CITSS, and select the "Generate Financial Services Instructions" button on the Event Application Detail page to access the Auction and Reserve Sale Financial Services Delivery Instructions page.

3. Submit a Bid Guarantee to the Financial Services Administrator

The forms of bid guarantees which may be submitted are specific to the jurisdiction in which the applicant is registered, as previously described.

CA applicants must submit a bid guarantee in USD. QC or ON applicants may select either USD or CAD as the currency they will use throughout the auction. Once a currency is selected, the applicant's bid guarantee must be submitted to the Financial Services Administrator in the selected currency.

3.1 Requirements for Submitting a Cash Bid Guarantee (Wire Transfer)

Cash wire transfers must be received by the Financial Services Administrator by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice. Cash wire transfer instructions are provided in the Financial Services Delivery Instructions and outlined below. Be advised that Automated Clearing House (ACH) wire transfers can take at least 24 hours to complete.

If the cash wire transfer (Fedwire or ACH) is not received by the deadline for receipt of a bid guarantee, it will not be accepted regardless of the time the transfer was initiated.

Cash wire transfer instructions are specific to the jurisdiction in which the applicant is registered. Cash wire transfer instructions are provided in the Financial Services Delivery Instructions downloaded from CITSS.

In order for the Financial Services Administrator to receive the funds by the deadline for receipt of bid guarantees, it is very important that the cash wire transfer details are set up exactly as provided in the applicant’s Financial Services Delivery Instructions.

3.2 Instructions for Wiring USD

For applicants that are participating in USD and using a U.S. financial institution, Fedwire transfer details must include the following information:

Table 2: Instructions for bid guarantee USD cash wire transfers

Bank Name:	Deutsche Bank Trust Company Americas⁸
Routing Number:	Provided in the Financial Services Delivery Instructions, available in CITSS
SWIFT/Bank Identifier Code (for financial institutions outside US):	Provided in the Financial Services Delivery Instructions, available in CITSS
City:	New York
State/Province:	New York
DDA Number:	Provided in the Financial Services Delivery Instructions, available in CITSS
Beneficiary:	Trust And Agency Services
Payment Details:	WCI Auction⁹ and Financial Services Account Name , as provided in the Financial Services Delivery Instructions, available in CITSS
Port:	Applicant’s Financial Services Account Number , as provided in the Financial Services Delivery Instructions, available in CITSS

⁸ Receiving Bank Name must be entered exactly as shown for a USD cash wire transfer.

⁹ WCI Auction is how the Financial Services Administrator refers to the joint California-Québec-Ontario auction. WCI refers to the Western Climate Initiative.

If using a Fedwire transfer to wire USD cash to the Financial Services Administrator, the Fedwire Transfer Payment Details section should be set up with two entries: the reference to WCI Auction and the applicant's Financial Services Account Name. The applicant's Financial Services Account Number must be entered in the Port section. The Financial Services Account Number and Account Name are provided in the applicant's Financial Services Delivery Instructions available from CITSS.

If using an ACH transfer to wire USD cash, an applicant may not be able to include all payment details. In this case, include the WCI Auction reference to assist in the proper identification and delivery of the transfer. Due to the limited identifying information provided in an ACH transfer, it is recommended that an entity account representative notify the Financial Services Administrator in advance of the ACH transfer to ensure proper receipt of the funds.

If an applicant participating in USD is using a non-U.S. financial institution, additional information may be required for cash wire transfer details, and can be submitted in the Comments field of the cash wire transfer request. Contact the Financial Services Administrator if you have questions on how to provide complete wire transfer instructions.

3.3 Instructions for Wiring CAD

For QC and ON applicant's providing a cash wire transfer in CAD, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) wire transfer details must include the following information:

Table 3: Instructions for bid guarantee CAD cash wire transfers

Intermediary Bank Name:	Royal Bank of Canada
Intermediary Bank SWIFT / Bank Identifier Code (BIC):	ROYC CA T2
Beneficiary Bank Name:	Deutsche Bank AG Frankfurt
Beneficiary Bank IBAN:	DE28500700100959163708
Beneficiary Bank SWIFT / Bank Identifier Code (BIC):	DEUTDEFF
Beneficiary Bank Account Name:	DBTCA for DBNTC as FSA for WCI, Inc.
Payment Details (including instructions on fees):	WCI Auction FBO Québec or WCI Auction FBO Ontario
Port:	Applicant's Financial Services Account Number , as provided in the Financial Services Delivery Instructions, available in CITSS.

CAD amounts wired by auction applicants are sent to Deutsche Bank AG in Germany. Therefore, it is very important that the New York postal address (used for mailing physical bid guarantees, explained further below) not be used when completing the cash wire transfer form. The address is not necessary for the Financial Services Administrator to process the transfer, but if a postal address for the Beneficiary Bank must be included by the issuing institution, use the address in Table 4.

Table 4: Postal address to be used for submitting cash wire transfers

Bank name:	DEUTSCHE BANK AG
Address:	TAUNUSANLAGE 12
City:	FRANKFURT AM MAIN
Postal code / Location	60262 FRANKFURT AM MAIN
Country:	GERMANY
Bank indicator:	BANK
SWIFT BIC:	DEUTDEFF

A cash wire transfer bid guarantee may require an international funds transfer. There are fees associated with an international funds transfer. All the fees associated with a SWIFT wire transfer must be paid by the applicant in advance or the fees will be deducted from the amount of the bid guarantee wire transfer.

- The SWIFT instruction <<OUR>> indicates that the party making the transfer has paid the fees in advance.
- Applicants are advised to communicate with their financial institutions to verify how to proceed with bank (wire) transfers.

Cash wire transfers that are returned by the Financial Services Administrator to an applicant due to an error or incomplete wire transfer details may result in a returned wire fee, which would be reflected in the wire amount returned to the applicant. A returned wire fee is not an auction fee and is not received by California, Québec, nor Ontario. A returned wire fee is a common banking transaction fee not related to the California Cap-and-Trade Program, the Québec Cap-and-Trade System, the Ontario Cap-and-Trade Program, nor the auction process.

3.4 Requirements for Submitting a Physical Bid Guarantee Instrument (LOC, LOG, or Bond)

Physical bid guarantee instruments must be received by the Financial Services Administrator in final form by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice. The instructions for submitting physical bid guarantees are provided in the Financial Services Delivery Instructions and outlined below.

Complete and proper addressing is critical to ensure receipt of all physical bid guarantee instruments by the deadline date and time. When sending physical bid guarantee instruments, include the following full address for the Financial Services Administrator:

Auction and Reserve Sale Financial Services Administrator
c/o Deutsche Bank Trust Company Americas
60 Wall Street, 16th Floor
Mailstop: NYC60-1630
New York, NY 10005-2836

Please include the Entity Legal Name, CITSS Entity ID, and Financial Services Account Number on the Letter of Credit, Letter of Guarantee, or Bond when mailing the bid guarantee form(s) to ensure the bid guarantee is properly associated to the applicant's account. Include this information as it appears in the Financial Services Delivery Instructions (downloadable from CITSS).

Deutsche Bank Trust Company Americas is the institution name required for receipt of USD funds via cash wire transfer and delivery of physical bid guarantees, while **Deutsche Bank National Trust Company** is used as the Beneficiary Bank Name provided for a physical bid guarantee. Applicants submitting physical bid guarantees should note the different names and ensure that both the Beneficiary Bank Name and the institution name included in the mailing address are correct. Refer to the Financial Services Delivery Instructions provided in CITSS for complete information.

When an applicant submits a physical bid guarantee instrument, the Financial Services Administrator will evaluate the instrument and identify any amendments that are necessary to meet the requirements. If a physical bid guarantee instrument must be amended, the amendment must be completed and received in physical form by the Financial Services Administrator by the deadline for receipt of bid guarantees. **Amendments to physical bid guarantee instruments will not be accepted after the deadline date and time as listed in the Auction Schedule provided in the Auction Notice.**

CARB, MDDELCC, and MOECC encourage entities to do the following:

- a) Submit a sample LOC, LOG, or bond to the Financial Services Administrator for review;
- b) Submit final documents early enough to provide time for amendment, if needed;

- c) Submit final documents via overnight delivery and retain a tracking number;
- d) Provide contact information for the issuing bank in the event that a draw on the physical bid guarantee is required to complete financial settlement for allowances awarded; and,
- e) Confirm receipt of bid guarantees with the Financial Services Administrator.

If a bid guarantee is not received by the Financial Services Administrator in final form by the deadline date and time as listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

Physical bid guarantee instruments submitted by QC or ON entities may be submitted in French or English. If the bid guarantee instrument is submitted in French, an English translation is requested to support timely review of the document. An applicant submitting a bid guarantee instrument in French should work with the institution issuing the instrument to provide a translation. If the applicant cannot obtain a translation from the institution issuing the instrument, please contact a representative of the Québec Cap-and-Trade System, MDDELCC, by phone at 418-521-3868 poste 7400 or a representative of the Ontario Cap-and-Trade Program, MOECC, at CThelp@ontario.ca or by phone at 1-888-217-3326 (toll-free).

Please include the Entity Legal Name, CITSS Entity ID, and Financial Services Account Number on the Letter of Credit or Letter of Guarantee to ensure the bid guarantee is properly associated to the applicant's account.

3.5 Requirements for Submitting a Letter of Credit (LOC)

CA applicants, QC applicants, and ON applicants may submit bid guarantees in the form of a Letter of Credit (LOC). For CA applicants, a LOC submitted as a bid guarantee must be in a form that may be accepted by the Financial Services Administrator consistent with U.S. banking laws and bank practices. For QC applicants, a LOC submitted as a bid guarantee must be issued by a bank or financial services cooperative with a Canadian banking license. For ON applicants, a LOC submitted as a bid guarantee must be issued by a bank within the meaning of the Bank Act (Canada) or issued by a financial services cooperative that is authorized by a statute of Canada or Ontario to carry on business in Canada or Ontario.

All bid guarantees in the form of a LOC require the following non-negotiable terms:

- The LOC must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the entity's auction application.

- **Deutsche Bank National Trust Company** must be listed as the beneficiary.¹⁰
- The LOC must be irrevocable.
- The amount of the LOC must be included.
- The expiration or maturity date must be at least twenty-six (26) days after the scheduled auction day.
- There must be instructions included indicating where to submit the LOC for payment.
- The LOC must allow for presentment by facsimile (Fax) (delivery in person or by courier cannot be required).
- There must be a payment certificate/form of draw included as an exhibit or annex to the LOC.
- The LOC must be payable within three (3) business days.
- There must be a draw cut off time of no earlier than 9:00 AM Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.

If any of these terms are not met by the deadline date and time listed in the Auction Schedule provided in the Auction Notice for receipt of all bid guarantees by the Financial Service Administrator, the submitted LOC will be rejected. **If the submitted LOC requires revisions, all revisions must be completed and received in physical form by the deadline for receipt of bid guarantees or the LOC will not be accepted and the auction application will be rejected.**

3.6 Requirements for Submitting a Bond (CA applicants only)

Only CA applicants may submit a bond as a bid guarantee. A bond must be in a form that may be accepted by the Financial Services Administrator consistent with U.S. banking laws and bank practices.

All bid guarantees in the form of a bond require the following non-negotiable terms:

- The bond must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the applicant's application.

¹⁰ The Beneficiary Bank Name must be entered exactly as shown, which differs slightly from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in CITSS for complete information.

- **Deutsche Bank National Trust Company** must be listed as the beneficiary/obligee.¹¹
- The party named as “Principal” in the bond must be identical to that named in the applicant’s application.
- The expiration date must be at least twenty-six (26) days after the scheduled auction.
- The amount of the bond must be included.
- There must be instructions included indicating where to submit the bond for payment.
- There must be a payment certificate/form of draw included as an exhibit or annex to the bond.
- The bond must allow for presentment by Fax (delivery in person or by courier cannot be required).
- The bond must be payable within three (3) business days.
- There must be a draw cut off time of no earlier than 9:00 AM Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.

If any of these terms are not met by the date and time listed in the Auction Schedule provided in the Auction Notice for all bid guarantees due to the Financial Service Administrator, the submitted bond will be rejected. **If the submitted bond requires revisions, all revisions must be completed and received in physical form by the deadline for receipt of bid guarantees or the bond will not be accepted and the auction application will be rejected.**

3.7 Requirements for Submitting a Letter of Guarantee (QC and ON applicants only)

Only QC and ON applicants may submit a Letter of Guarantee (LOG) as a bid guarantee.

All bid guarantees in the form of a LOG require the following non-negotiable terms:

- The LOG must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the applicant’s application.

¹¹ The Beneficiary Bank Name must be entered exactly as shown, which differs slightly from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in CITSS for complete information.

- **Deutsche Bank National Trust Company** must be listed as the beneficiary/obligee/payee.¹²
- The party named as “Principal” in the LOG must be identical to that named in the applicant’s application.
- The expiration date must be at least twenty-six (26) days after the scheduled auction day.
- The amount of the LOG must be included.
- There must be instructions included indicating where to submit the LOG for payment.
- There must be a payment certificate/form of draw included as an exhibit or annex to the LOG.
- The LOG must allow for presentment by Fax (delivery in person or by courier cannot be required).
- The LOG must be payable within three (3) business days of a payment request.
- There must be a draw cut off time of no earlier than 9:00 am Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.

If any of these terms are not met by the deadline date and time listed in the Auction Schedule provided in the Auction Notice for receipt of bid guarantees by the Financial Service Administrator, the submitted LOG will be rejected. **If the submitted LOG requires revisions, all revisions must be completed and received in physical form by the deadline for receipt of bid guarantees or the LOG will not be accepted and the auction application will be rejected.**

C. Receipt of Bid Guarantee

An applicant’s account representatives will receive an email from CITSS with the subject line “CITSS Event Financial Services Information Update” when there is an update to the applicant’s bid guarantee information. For information on any updates, including if the Financial Services Administrator has accepted a bid guarantee, the account representatives can log in to CITSS to confirm the current auction application status. Once a bid guarantee has been accepted by the Financial Services Administrator, the application status for the entity will change from “Applicant” to

¹² The Beneficiary Bank Name must be entered exactly as shown, which differs slightly from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in CITSS for complete information.

“Qualified Applicant.” Additionally, the Bidding Limitation Data section of the Event Application Detail page in CITSS will display the Total Bid Guarantee amount recorded by the Financial Services Administrator. If no bid guarantee that meets the requirements is received by the deadline date and time listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

D. Bid Guarantee Revision Process

If a bid guarantee in the form of a LOC, LOG, or Bond requires revision, all revisions must be completed and received in physical form by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice or the bid guarantee will not be accepted and the auction application will be rejected.

If a bid guarantee in the form of a LOC, LOG, or Bond provided to the Financial Services Administrator needs to be revised:

- a) The applicant will be notified by the Financial Services Administrator of the need for revision.
- b) The applicant will contact the financial institution that issued the bid guarantee instrument and request an amendment.
- c) The revised bid guarantee must be received in physical form by the deadline for receipt of bid guarantees or it will be rejected. Emailed, scanned, and PDF versions of a bid guarantee or bid guarantee amendment will **not** be accepted as a bid guarantee.

The Financial Services Administrator (Deutsche Bank) may be contacted as follows:

Email: db.wcisupport@db.com

Phone: (212) 250-2885 or (714) 247-6427

Bid Guarantee Submittal Summary

- An applicant submitting a bid guarantee by cash wire transfer must provide all required wire transfer information listed in this document and in the Financial Services Delivery Instructions to ensure the bid guarantee is accepted and associated with the proper account.
- Cash wire transfers must be received by the Financial Services Administrator by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice.
- An applicant is responsible to ensure proper addressing when mailing a physical bid guarantee instrument.
- An applicant is responsible to ensure a physical bid guarantee instrument (LOC, LOG or Bond) is received in final form by the Financial Services Administrator, including all required non-negotiable terms, by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice.
- A bid guarantee or bid guarantee amendment received after the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule in the Auction Notice will not be accepted.
- Emailed, scanned, and PDF versions of a bid guarantee or a bid guarantee amendment will not be accepted as a bid guarantee.

If a bid guarantee is not received by the deadline date for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

V. RECEIVE NOTICE OF THE QUALIFIED APPLICANT'S APPROVAL TO PARTICIPATE

Jurisdiction staff will review Qualified Applicant's information, CITSS account status, and bid guarantee, and make a determination to approve or deny each entity's participation in the auction. Once CARB, MDDELCC, and MOECC approve or reject an entity for auction participation, the account representatives for the entity will receive an email confirming approval or denial to participate in the auction. In CITSS, the status of

the auction application for the entity will either change from “Qualified Applicant” to “Qualified Bidder” if the entity is approved, or it will change from “Qualified Applicant” to “Rejected” if the auction application is rejected. This is anticipated to occur within two (2) business days before the scheduled auction date. Each entity that has completed an auction application, submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the auction is referred to as a “Qualified Bidder.”

The reasons for possible denial of an applicant’s (or qualified applicants) participation in an auction include, but are not limited to, the following:

- The applicant does not have an active CITSS account.
- The applicant general account has been revoked or is currently suspended.
- The applicant is not represented by an active account representative.
- The applicant has not provided complete information on corporate associations.
- The applicant has not submitted a bid guarantee to the Financial Services Administrator by the deadline date and time as listed in the Auction Schedule provided in the Auction Notice.
- A CA applicant did not submit an Auction Attestation Disclosure by the end of the application period as required by section 95912(d)(4)(E) of the California Regulation.
- The applicant has provided false or misleading information in the auction application.

VI. PARTICIPATE IN THE AUCTION

All previous steps related to auction application are conducted in CITSS. The following steps, directly related to bidding in an auction and retrieving the auction results, are conducted in the Auction Platform. The Auction Platform can be accessed at <https://www.wci-auction.org/ca> for CA entities, <https://www.wci-auction.org/qc> for QC entities, and <https://www.wci-auction.org/on> for Ontario entities or from the linked jurisdictions’ and WCI, Inc.’s webpages.

Bids for the Current Auction and Advance Auction will be accepted simultaneously at the date and time identified in the Auction Notice. The auctions will be conducted through the electronic, internet-based Auction Platform using a single round, sealed bid auction format. Bid quantities must be submitted in multiples of 1,000 allowances. Bids

for both the Current Auction and Advance Auction will be accepted during the same scheduled 3-hour bidding window.

An Auction Exchange Rate is established prior to each auction for determination of the Auction Reserve Price. The Auction Exchange Rate in effect for the auction will be set as the most recently available daily exchange rate for U.S. and Canadian dollars as published by the Bank of Canada.

In the Auction Platform, the Auction Exchange Rate is displayed as USD to CAD FX Rate.

A. Access to the Auction Platform

1. PAR/AAR Auction Platform Accounts

An account representative authorized by a qualified bidder to act on its behalf in an auction must have an active Auction Platform account, which is separate and distinct from a CITSS account. Only those representatives with an active Auction Platform account will be able to access the Auction Platform to submit bids on behalf of the qualified bidder during an open bidding window, or download reports specific to the auction.

2. Auction Platform Account Activation

If an individual account representative has previously activated his or her Auction Platform account, that individual will be able to access the Auction Platform using their previously established credentials.

User accounts and CITSS entity account representative status information in CITSS and the Auction Platform are automatically reconciled on a daily basis. Active PARs and AARs of entities in CITSS that have been qualified bidders to a past auction or reserve sale or that have submitted an application to an upcoming auction or reserve sale are eligible to maintain or establish Auction Platform accounts.

Outlined below are details regarding reconciliation of user accounts and entity CITSS account representative status information in CITSS and the Auction Platform:

- CITSS account information, including entity and account representative information is transferred on a daily basis from CITSS to the Auction Administrator.

- The information transmitted contains information specific only to entities that have been a qualified bidder to a past auction or reserve sale or that have submitted an application to an upcoming auction or reserve sale.
- Users without an Auction Platform account will receive an email inviting the user to establish account credentials for an Auction Platform account within 24 hours of being approved as an active account representative of an entity that has been a qualified bidder to a past event and/or has submitted an application to participate an upcoming event.
- The activation email will be sent to the account representative's current email address listed in CITSS.
- This current email address in CITSS will be the account representative's username in the Auction Platform.
- The email provides an activation link to activate an account and establish an Auction Platform password and security questions.
 - The activation link can only be used once.
 - The activation link will expire twenty-four (24) hours after receipt of the Auction Platform account activation email.

3. *Account Representatives Associated with Multiple Entities*

Regardless of the number of entities for which an individual acts as the account representative, that individual can only establish one Auction Platform account. All associations with entities for which an individual is an approved account representative will be reflected in the Auction Platform, for all entities that have been a qualified bidder to a past event and/or have submitted an application to participate in an upcoming event.

If an individual is an account representative on multiple entities' accounts, each time the individual logs in to the Auction Platform he or she will need to select which entity to represent in that session. To submit information for another (different) entity that he or she represents, the individual will need to log out of the Auction Platform and then log back in, selecting the other entity.

B. Bidding in the Auction

The account representatives of qualified bidders will be able to submit bids on behalf of the qualified bidders they represent. Account representatives will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the scheduled bidding window.

To bid in the auction, the account representative of a qualified bidder will perform the following actions.

- Submit a bid which includes the vintage of the allowances, the number of bid lots (1 lot = 1,000 allowances), and the bid price.
 - To bid for allowances in the Current Auction, the bid vintage is selected as “Current.”
 - To bid for allowances in the Advance Auction, the bid vintage is selected as “2021.”
- Enter bid currency in CAD or USD.
 - CA entities will submit bids in USD.
 - QC and ON entities will submit bids in the currency selected during the auction application process. Currency is preselected when completing a manual bid entry.
 - QC and ON entities must select CAD or USD when completing a bid upload spreadsheet.
 - If a QC or ON entity attempts to upload a bid upload spreadsheet with bids in the incorrect currency, the spreadsheet will fail to upload to the Auction Platform.
- Enter bid prices in whole cents and bid lots in whole numbers greater than zero.
 - When adding a bid by manual bid entry, Auction Page validations will not accept bid price entry to more than two decimal points, i.e., bid price must be submitted in whole cents. Similarly, Auction Page validation will not accept bid lot entry that is not a whole number greater than zero.
 - When adding bids by uploading a bid upload spreadsheet, validations in the spreadsheet restrict bid price entry to two decimal points, i.e., bid price must be submitted in whole cents. Similarly, validations in the spreadsheet also restrict bid lot entry to whole numbers greater than zero.
 - In some circumstances, qualified bidder representatives have copied and pasted data into bid upload spreadsheets, thereby removing validations and resulting in attempts to upload bids not in whole cents.
 - Qualified bidder representatives are responsible to ensure all bid prices submitted are in whole cents. If a representative changes the bid upload spreadsheet, resulting in removal of validations and bid prices uploaded including more than two decimal points, bid

prices accepted by the Auction Platform will be rounded to the nearest whole cent.

- Representatives are encouraged to confirm all bids entered through the bid upload process by viewing the qualified bidder's bids on the Auction Page or by downloading the Client Bids Audit Report.
- Qualified bidders may submit as many bids as they wish during the bidding window.
 - An uploaded Excel spreadsheet may contain a maximum of 1,000 bids.
 - Multiple spreadsheets may be uploaded.
- Edit or withdraw confirmed bids as needed during the bidding window.
 - Once the bidding window has been closed, no further bids may be entered and no changes to bids can be made.

C. Bidding Limitations

The California, Québec, and Ontario Regulations include several bidding limitations related to the Auction Reserve Price, bid guarantee submitted, purchase limits, and holding limits. These bidding limits are described below.

The [Auction Examples](#) document provides additional information and examples of how to determine a bid guarantee amount and bid evaluation procedures for purchase limits, holding limits, and bid guarantees.

1. Auction Reserve Price Bid Limitation

The Auction Reserve Price effective during the joint auction will be posted on the Auction Platform in both USD and CAD once the Auction Exchange Rate for the joint auction is posted, as scheduled for the business day prior to the opening of the bidding window. The Auction Reserve Price will be determined as the higher of the Annual Auction Reserve Prices established in U.S. and Canadian dollars after applying the established Auction Exchange Rate. The Auction Reserve Price is the minimum price at which allowances offered in the Current Auction and Advance Auction will be sold. Bids submitted with a bid price below the Auction Reserve Price will not be accepted.

2. Bid Guarantee Bid Limitation

The California Regulation, the Québec Regulation, and the Ontario Regulation require bid guarantees to be greater than or equal to the maximum value of the bids submitted (i.e., maximum bid value). The total value of allowances awarded to a qualified bidder

cannot exceed the submitted bid guarantee value. The maximum bid value is determined as follows:

- The maximum bid value of a set of bids is the cumulative bid value at the bid price where the cumulative bid value is greatest.
- The cumulative bid value of a set of bids equals the quantity of bid allowances submitted at or above a bid price times that price.
- The cumulative bid value is calculated at each bid price at which the bidder submits a bid.

Bid evaluation procedures for bid guarantees occurs after the bidding window has been closed and before the settlement price is determined.

Qualified bidders submit a single bid guarantee for both the Current Auction and Advance Auction. Once the Current Auction settlement price has been determined, the qualified bidder's total cost for allowances awarded in the Current Auction (USD settlement price multiplied by number of allowances awarded) will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to the Advance Auction.

Auction bid evaluations and settlement price determinations are conducted in USD. The value of all bids and bid guarantees submitted in CAD will be converted into USD in whole cents using the established Auction Exchange Rate to enable comparisons between bids in both currencies on a common basis. For entities bidding in CAD, the bid guarantee amount remaining to be applied to the Advance Auction is determined by subtracting the total USD cost for allowances awarded in the Current Auction (USD settlement price multiplied by number of allowances awarded) from the USD value of the submitted bid guarantee.

3. *Purchase Limit Bid Limitation*

The purchase limit is the maximum number of GHG allowances that may be purchased by an entity or jointly purchased by a group of related entities. The purchase limit will be calculated separately for each entity for the Current Auction and Advance Auction. The Auction Examples document provides further detail on how the purchase limit applies to an auction. The purchase limits that apply to one entity or a group of entities that are related entities for the Current Auction and the Advance Auction are as follows:

For CA entities:

- The purchase limit for Covered Entities and Opt-in Covered Entities, including electrical distribution utilities (or a CAG of which at least one Covered Entity or Opt-in Covered Entity is a member) will be 25 percent of the allowances offered for auction; and
- The purchase limit for Voluntarily Associated Entity (or a CAG which is comprised entirely of Voluntarily Associated Entities) is 4 percent of the allowances offered for auction.

For QC entities:

- The purchase limit for Emitters (or a CAG of which at least one Emitter is a member) is 25 percent of the allowances offered for auction; and
- The purchase limit for Participants (or a CAG which is comprised entirely of Participants) is 4 percent of the allowances offered for auction.

For ON entities:

- The purchase limit for Capped Participants (or a CAG of which at least one Capped Participant is a member) is 25 percent of the allowances offered for auction; and
- The purchase limit for Market Participants (or a CAG which is comprised entirely of Market Participants) is 4 percent of the allowances offered for auction.

Related entities that have separate CITSS accounts must allocate shares of the purchase limit amongst themselves. In CITSS, related entities that have separate CITSS accounts are assigned to a CAG to manage the allocation of shares of the purchase limit amongst members of the CAG. Each related entity will have a specified percentage share of the CAG's purchase limit. The sum of the shares allocated among the CAG members must sum to one (100 percent). Each associated entity's allocated purchase limit share multiplied by the auction purchase limit assigned to the CAG becomes the purchase limit for that entity. In CITSS, on the Corporate Associates tab, this is referred to as the Effective Purchase Limit. The Effective Purchase Limit is multiplied by the allowances offered in the Current Auction and Advance Auction to calculate the purchase limit cap specific to each entity. These purchase limit caps will be used to limit the quantity of GHG allowances that may be purchased by each of the related entities (within a CAG).

As an example, in a CAG with a purchase limit of 25 percent, a Market Participant cannot be allotted more than a 16 percent share of the CAG purchase limit to ensure its

Effective Purchase Limit is no more than 4 percent (25 percent multiplied by 16 percent equals 4 percent).

The purchase limit cap for each qualified bidder will be transmitted from CITSS to the Auction Administrator the day prior to the auction.

4. *Holding Limit Bid Limitation*

The holding limit is the maximum number of GHG allowances that may be held by an entity or jointly held by a group of related entities. The holding limit will be calculated separately for each entity for the Current Auction and Advance Auction. The Auction Examples document provides further detail on how the holding limit applies to an auction.

Related entities that have separate CITSS accounts must allocate shares of the holding limit amongst themselves. In CITSS, related entities that have separate CITSS accounts are assigned to a CAG to manage the allocation of shares of the holding limit amongst members of the CAG. This holding limit allocation results in each entity having a specified percentage share of the CAG's holding limit. The sum of the percentages allocated among the CAG members must sum to one (100 percent). The percentage assigned to each entity in a CAG is multiplied by the holding limit associated to the Current Auction and Advance Auction to calculate the holding limit cap specific to each entity.

The holding limit cap for each qualified bidder will be transmitted from CITSS to the Auction Administrator the day prior to the auction. This cap will indicate how many allowances a qualified bidder may acquire before exceeding its holding limit. The holding limit cap will reflect CITSS account balances and limited exemption data available in CITSS at approximately 9:00 AM PT / 12:00 PM (Noon) ET the day prior to the auction. The holding limit cap transmitted to the Auction Administrator is used solely for the purpose of administration of the holding limit bid limitation in the auction. Any changes to CITSS account balances after the determination of the holding limit cap due to transfers of allowances after 9:00 AM PT/ 12:00 PM (Noon) ET the day prior to the auction will not be reflected in the Auction Platform on the day of the actual auction.

D. Auction Administrator Application of the Bidding Limitations

Submitted bids that contain bid quantities in excess of the purchase limit, holding limit, or have a maximum bid value in excess of the bid guarantee will be rejected, in bundles of 1,000 allowances, until all bid limitations are met. Only that portion of the bid quantity that exceeds one or more limit will be rejected, not the entire bid quantity. Only the bids that remain after the submitted bids have been evaluated and reduced to meet all

bidding limitations (i.e., qualified bids) are used in the auction settlement price determination process. Determination of qualified bids occurs after the bidding window has been closed and before the final settlement price determinations are made.

Please refer to the Auction Examples document for examples on how bidding limitations are applied.

E. Settlement Price Determination

Joint auction bid evaluation and settlement price determination will be conducted in USD. The value of all bids and bid guarantees submitted in CAD will be converted into USD in whole cents using the established Auction Exchange Rate to conduct the auction settlement price determination in a single currency. All bid assessments, the settlement price, and the cost of all allowances awarded will be determined in USD. For any QC or ON entity participating using CAD, the total cost of allowances is determined in USD and is converted to CAD based on the established Auction Exchange Rate to allow the entity to complete financial settlement in CAD.

The process to determine the settlement price requires that the Auction Administrator rank qualified bids from all bidders from the highest qualified bid price to the lowest qualified bid price based on the USD value of the bids. Allowances will be awarded to bidders, beginning with the highest qualified bid price and moving to successively lower qualified bid prices, until the entire supply of allowances is exhausted or all qualified bids have been filled.

The settlement price for the Current Auction is determined first, followed by the determination of the settlement price for the Advance Auction. Qualified bidders submit a single bid guarantee for both the Current Auction and Advance Auction. Once the Current Auction settlement price has been determined, the qualified bidder's total cost for allowances awarded in the Current Auction (USD settlement price multiplied by number of allowances awarded) will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to the Advance Auction. The bid guarantee is applied to the Current Auction first, and then to the Advance Auction, in the form of USD currency, regardless of the currency selected by the qualified bidder.

The Auction Examples document provides examples of how joint auctions are settled.

F. Auction Conduct

1. Non-Disclosure of Bidding Information

Pursuant to Section 95914(c) of the California Regulation and Article 51 of the Québec Regulation, an entity approved for auction participation shall not release any confidential information related to its auction participation, including:

- Intent to participate, or not participate, at auction, auction approval status, and maintenance of continued auction approval;
- Bidding strategy at any auctions, including the specification of an auction settlement price or range of potential auction settlement prices at which an entity is willing to buy or sell allowances;
- Bid price or bid quantity information at past or future auctions;
- Information on the amount of any bid guarantee provided to the Financial Services Administrator.¹³

In Ontario, pursuant to sections 32(6), (7), (8) and (10) of the Climate Change Mitigation and Low-carbon Economy Act, 2016, the following activities are prohibited, except as provided for in section 65 of the Ontario Regulation:¹⁴

- a) No person shall disclose whether or not the person is participating in an auction.
- b) No person shall disclose whether or not the person is taking part in an auction or any other information relating to the person's participation in an auction, including the person's identity, bidding strategy, the amount of the person's bids and the quantity of emission allowances concerned, and the financial information provided to the Ministry in connection with the auction.
- c) If a prospective purchaser retains the services of another person in connection with an auction, the other person shall not disclose any of the information described in (b) above relating to the prospective purchaser.
- d) No person shall coordinate the bidding strategy of more than one prospective purchaser in connection with an auction.

¹³ Section 95914(c) of the California Regulation prohibits the release by auction participants of any of the details of their participation, including whether they bid, their bidding strategy, bids placed, and bid guarantee details. The California Regulation does provide some exceptions, such as to consultants, regulatory agencies, and direct corporate associates, among others.

¹⁴ Except to persons prescribed by the Ontario Regulation, e.g., natural gas distributors can share auction information with the Ontario Energy Board for rate determination purposes.

The California and Québec Regulations require that any entity participating in an auction that has retained the services of a consultant or advisor regarding auction bidding strategy must ensure the following:

- The entity must ensure against the consultant or advisor transferring information to other qualified bidders or coordinating the bidding strategy among qualified bidders;
- The entity will inform the consultant or advisor of the prohibition of sharing information to other qualified bidders and ensure the consultant or advisor has read and acknowledged the prohibition under penalty of perjury; and
- A consultant or advisor retained by a CA entity must provide CARB with the following information at least fifteen (15) days prior to an auction: names of entities being advised, description of advisory services being performed, and assurance under penalty of perjury that the advisor is not transferring to or otherwise sharing information with other qualified bidders.
- Any entity that has retained the services of a consultant or advisor must disclose to CARB, if it is a CA entity, or to MDDELCC, if it is a QC entity, information to identify the consultant or advisor, including name, contact information, physical work address, and employer, if applicable.

CA entities are required to inform CARB of the retention of a consultant or advisor, including a bidding advisor. An account representative of the entity must submit the information required by the California Regulation. This can be accomplished using the Corporate Associations and Structure Form, available on the CARB CITSS webpage. Guidance on California's regulatory provision on corporate associations is available in the Corporate Disclosures Guidance (Updated February 2015) document available from the CARB CITSS webpage at <https://www.arb.ca.gov/citss>.

The California Regulation, section 95914(c)(3), requires Cap-and-Trade consultants or advisors for CA entities to self-disclose information related specifically to auction bidding strategy services. Consultants and advisors providing such services may submit the required information to CARB using the Auction Bid Advisor Form at the address on the form no later than fifteen (15) business days prior to the auction at which the bid advisor's services will be employed.

QC entities are required to inform MDDELCC of the retention of an advisor. An account representative of the entity must submit the information to MDDELCC, using the Corporate Associations and Structure Form, available on Québec's Carbon Market website no later than ten (10) business days prior to the auction at which the bid

advisor's services will be employed. They also must inform the MDDELCC if a new advisor is hired or if an advisor is terminated and no new advisor is hired.

As per section 1 of the Ontario Regulation, a consultant is defined as:

- A person under an agreement, other than an employment agreement
- A person that provides expert or strategic advice and related services to a registered participant for consideration and decision-making

Any ON entity that has retained the services of a consultant or advisor must disclose to MOECC the following information, in writing, to identify the consultant or advisor:

- a) Name,
- b) Contact information, and
- c) Employer, if applicable.

This information must be disclosed to MOECC no later than thirty (30) days prior to the auction at which the bid advisor's services will be employed. ON entities required to disclose this information may contact a representative of the MOECC at CThelp@ontario.ca or by phone at 1-888-217-3326 (toll-free) to request the Disclosure of Cap-and-Trade Consultants Form.

2. Market Monitoring

WCI, Inc. has contracted an independent market monitor, Monitoring Analytics, LLC, for the California Cap-and-Trade Program, the Québec Cap-and-Trade System, and the Ontario Cap-and-Trade Program. The purpose of the Market Monitor is to monitor, detect, and report issues relating to the operation of the GHG allowance auctions, California reserve sales, Québec sales by mutual agreement, Ontario sales, and secondary markets.

The Market Monitor will monitor the GHG allowance auctions and reserve sales, and provide ongoing monitoring of GHG allowance holdings and market activity. The Market Monitor will monitor the secondary market to identify any indications of anti-competitive behavior, as well as to understand market activity and trades. The Market Monitor's findings will be provided to jurisdiction staff to review and take action, as needed. Jurisdiction staff will also monitor the auctions and reserve sales during the bidding window and review submitted bids to determine if there are any indications of anti-competitive behavior.

Any fraudulent, manipulative, collusive, or noncompetitive behavior in a GHG allowance auction or reserve sale may be investigated and prosecuted in accordance with all applicable laws and regulations.

VII. AUCTION RESULTS AND CERTIFICATION

Following the auction, each jurisdiction and the Market Monitor will review the auction results. Each jurisdiction will review the conduct of the auction and determine whether the auction met the requirements of its respective regulation.

A. Public Notification of Auction Results

Auction results will be accessible to the public through a Joint Auction Summary Results Report which will include the settlement prices for the Current Auction and Advance Auction and will be posted on the linked jurisdictions' webpages. This posting is anticipated to occur at approximately the date and time listed in the Auction Schedule provided in the Auction Notice.

In the event of a delay in posting the Joint Auction Summary Results Report, linked jurisdictions will provide notification (on their respective websites or through direct communications), indicating a new time for the release.

The Joint Auction Summary Results Report will include the following:

- The names of the qualified bidders.
- The Current Auction and Advance Auction settlement prices.
- Aggregated or distributional information on purchases with the names of the entities withheld.

The Joint Auction Summary Results Report will present the settlement prices for the Current Auction and Advance Auction in USD and CAD. The settlement price determination in the Auction Platform is conducted in USD with the CAD value determined using the established Auction Exchange Rate. The auction results shown in the Joint Auction Summary Results Report will not include information regarding auction proceeds because the exchange rate process to determine final proceeds payments in a joint auction will not be immediately available.

B. Notification of Qualified Bidder Auction Results

Following the posting of the public auction results, the jurisdictions will certify the auction in the Auction Platform. Once the auction is certified by jurisdictions in the Auction Platform representatives of qualified bidders will be able to view and download their qualified bidder's auction results in the form of a Financial Statement and Client Bids Report from the Auction Platform. The Financial Statement serves as the financial

settlement invoice for the auction and will include the number and total cost of allowances the qualified bidder has been awarded, if any.

The qualified bidder's Financial Statement will include the following:

- Auction Information
 - Settlement Price (Current and Advance)
 - Number of Successful Bids and Successful Bid Allowances (Current and Advance)
 - Total Bid Cost (Current, Advance, and Combined Total Cost)
- Account Information
 - Entity Information
 - Bid Guarantee Submitted by Type (cash, LOC, LOG, or bond)
 - Amount Due to Financial Services Administrator (if any)
 - Amount Due By Date (if an amount is due)
- Wiring Instructions for Submitting Payment

C. Download all Reports

Immediately following notification of availability of the qualified bidder's results in the Auction Platform, account representatives can download and save all the Auction Platform reports. The available reports include:

1. Client Bids Audit Report: this report provides records on all bids submitted by the qualified bidder, including the audit trail of each bid related to bid creation, updates, and deletions.
2. Client Bid Report: This report provides records on all bids submitted by the qualified bidder in their final form, identifying each successful and unsuccessful bid and the number of allowances awarded, if any.
3. Financial Statement: This report provides all information required to invoice and complete financial settlement.

Active PARs and AARs with Auction Platform accounts have access to reports for all events in which the entity was a qualified bidder, regardless of when the account representative was designated as such by the entity.

VIII. COMPLETE FINANCIAL SETTLEMENT

A. Financial Settlement Requirements and Outline

Qualified bidders will complete the financial settlement process with the Financial Services Administrator for all allowances awarded in an auction once the auction is certified. The availability of the Financial Statement represents the beginning of the seven (7) day period in which a successful bidder is required to complete payment (of the amount due for allowances awarded) to the Financial Services Administrator. The deadline for receiving payment by wire transfer is listed in the Auction Schedule in each Auction Notice.

Qualified bidders are required to complete financial settlement in their selected currency for any allowances awarded. In order to ensure that every qualified bidder pays the exact same price per allowance, the total cost of allowances in CAD is determined as the USD settlement price multiplied by the number of allowances awarded, and then multiplied by the Auction Exchange Rate (USD Settlement Price * Allowances Awarded * Auction Exchange Rate). The same calculation is done for the Current and Advance Auction, and the total of both auctions gives the total amount due in CAD to complete financial settlement.

As part of the financial settlement process, the Financial Services Administrator will:

- For those qualified bidders that submitted cash bid guarantees, use the cash submitted to settle for any amounts owed.
- For qualified bidders that submitted physical bid guarantee instrument(s) (LOC, LOG, or bond), collect cash payment for any amounts owed from winning qualified bidders within seven (7) days of notification of the availability of the auction results.
- Draw on the physical bid guarantee instrument(s) for any qualified bidder that fails to submit payment for amounts owed within seven (7) days of availability of the auction results.
- Distribute auction proceeds from the sale of allowances to the jurisdictions.
- For CA: Distribute auction proceeds and provide a Consigned Allowances Statement to entities that consigned allowances for an auction (applicable to consigning entities only).

Once all payments have been received, proceeds will be transferred to jurisdictions, and subsequently jurisdictions will transfer the number of allowances awarded into each successful qualified bidder's CITSS account.

B. Cash Settlement

All final financial settlements must be completed in cash by qualified bidders within seven (7) days of the availability of the auction results in the Auction Platform.

The wiring instructions for cash settlement will be included in the Financial Statement which is downloaded from the Auction Platform. If a bank (wire) transfer was submitted for the bid guarantee, the funds on account will be used to settle any amount owed, and any unused portion will be returned to the qualified applicant.

A wire transfer may require an international funds transfer. There are fees associated with an international funds transfer. All the fees associated with a cash wire transfer must be paid in advance or they will be deducted from the amount submitted for financial settlement.

- The SWIFT instruction <<OUR>> indicates that the party making the transfer has paid the fees in advance.
- Communicate with your financial institution to verify how to proceed.

The Financial Services Administrator will not accept payment in the form of a certified bank check or cashier's check for allowances awarded in an auction. If a check is received for cash settlement, the check will be returned.

If a qualified bidder fails to make cash payment within seven (7) days after notification of the availability of the qualified bidder's auction results, physical bid guarantee instruments (LOC, LOG, or bond) held on account by the Financial Services Administrator will be used to obtain payment for allowances purchased in the auction.

C. Return of Bid Guarantee

The Financial Services Administrator will return any unused bid guarantees based on the return instructions provided in CITSS. Cash will be returned through wire transfer¹⁵

¹⁵ If a cash wire transfer is returned to the Financial Services Administrator by an entity's financial institution due to an error or incomplete wire transfer details provided by an entity, resulting in a fee charged to the Financial Services Administrator, the fee will be reflected in the

and physical bid guarantee instruments in the form of a LOC, LOG, or bond will be returned directly to the entities through FedEx or DHL delivery by the Financial Services Administrator. The Financial Services Administrator will send an email to the entity account representatives in advance of sending back the unused bid guarantee so they can prepare for receipt of funds or physical bid guarantee instruments.

All unused bid guarantees for unsuccessful bidders, regardless of type, will be returned within approximately three (3) business days after the auction is certified.

For successful bidders that provided a cash bid guarantee, the funds will be applied against the final settlement amount owed. If there is cash remaining after the amount owed for awarded allowances has been deducted, the unused cash will be returned to the entity through Fedwire transfer based on the return instructions provided during the application process in the Auction Platform.

For successful bidders that provided bid guarantees in the form of a LOC, LOG, or bond, following receipt of all amounts owed, the Financial Services Administrator will return physical bid guarantee instruments directly to the entities through FedEx or DHL delivery, based on the return instructions provided during the application process in the Auction Platform.

IX. TRANSFER OF ALLOWANCES INTO CITSS ACCOUNTS

Allowances are transferred to successful bidders following completion of financial settlement and distribution of auction proceeds to the jurisdictions and consigning entities. The expected date for allowance transfers is provided in the Auction Schedule in the Auction Notice.

Transfers of allowances into CITSS accounts will be conducted by each jurisdiction to each successful bidder's CITSS account. In a fully subscribed Current Auction, where there are multiple vintages offered for sale, successful bidders will receive awarded allowances including the quantity of each allowance vintage or type based on the proportion of the quantity of each jurisdiction's contribution to the total allowances offered in the auction. In an auction where there are unsold allowances, the proportions

total bid guarantee returned to an entity. A returned wire fee is not an auction fee, but is a common banking transaction fee not related to the California Cap-and-Trade Program, Québec Cap-and-Trade System, Ontario Cap-and-Trade Program, or the auction process.

by vintage in which bids are filled may vary due to the requirements of the California, Québec, and Ontario Regulations for the sale of allowances.

In a simple case, where the Current Auction allowances are all the same vintage, each bid lot would be comprised of allowances from all jurisdictions proportional to the quantity of each jurisdiction's contribution to the total Current Auction amount. For example, if the Current Auction amount included 60 percent California 2018 vintage allowances, 20 percent Québec 2018 vintage allowances, and 20 percent Ontario 2018 vintage allowances, each bid lot of 1000 allowances would include 600 California 2018 vintage allowances, 200 Québec 2018 vintage allowances, and 200 Ontario 2018 vintage allowances. Each jurisdiction conducts separate transfers for the proportion of allowances awarded from the jurisdiction; therefore, successful qualified bidders in this example will see three (3) allowance transfers, one from California, one from Québec, and one from Ontario.

The same concept applies to a more complex case to determine the composition of each lot of allowances awarded. For example, if the Current Auction includes multiple vintages (continue to assume that the allowances offered are still split 60-20-20 between the jurisdictions) where the Québec portion includes 40 percent 2017 allowances and 60 percent 2018 allowances, each awarded bid lot of 1000 allowances would include 600 California 2018 vintage allowances, 200 Ontario 2018 vintage allowances, 80 Québec 2017 vintage allowances, and 120 Québec 2018 vintage allowances. This example can be expanded if there are more than two allowance vintages or types for a jurisdiction.

In a situation where there are not enough allowances of a specific vintage to evenly distribute across all winning bid lots, a tiebreaker process is used to assign allowances of that vintage to successful qualified bidders.

In the case of a Current Auction with unsold allowances, the proportions may vary due to the Regulatory requirements of the jurisdictions for the sale of allowances. The proportions by each jurisdiction will remain as the proportion of each jurisdiction's contribution to the total allowances offered for sale in the Current Auction. Within each jurisdiction's proportion, the specific distribution by vintage will depend on the overall percentage of allowances sold.

X. PUBLIC NOTIFICATION OF AUCTION PROCEEDS

Once proceeds are transferred to the jurisdictions, California, Québec, and Ontario will each issue separate Post Joint Auction Public Proceeds Reports, which will provide the

final amount of jurisdiction proceeds. The anticipated date for release of the Post Joint Auction Public Proceeds Reports is listed in the Auction Schedule provided in the Auction Notice.

XI. CONSIDERATIONS FOR CA ENTITIES CONSIGNING ALLOWANCES (CALIFORNIA CAP-AND-TRADE PROGRAM ONLY)

Entities with Limited Use Holding Accounts may consign allowances to the Executive Officer for sale at the quarterly auctions. Consigning allowances is a separate action available only to those entities identified in the California Regulation. All allowances in a Limited Use Holding Account must be consigned to auctions occurring during the year of their vintage. Each consigning entity agrees to accept the auction settlement price for allowances sold at each auction. For each auction, allowances designated for consignment must have been transferred from the entity's Limited Use Holding Account to the Auction Holding Account in CITSS at least seventy-five (75) days before the auction. Any allowances transferred to the Auction Holding Account less than seventy-five (75) days before the scheduled auction will be consigned to the subsequent auction. Allowances transferred in CITSS cannot be indicated for consignment towards a future auction. If you need assistance in completing this transfer in CITSS, please refer to the CITSS User Guides, available from the CARB CITSS webpage.

If you need assistance in the consignment process, please refer to the Guidance for Allowances Consignment to Auction fact sheet available from the CARB Auction Information webpage.

If an entity is only consigning allowances to the auction and does not wish to participate in the auction, the entity's representative needs to confirm its consignment wiring instructions. Additional information on the actions to be taken to confirm existing wiring instructions or provide new wiring instructions is provided in the CITSS Auction Consignment Wiring Instructions User Reference available from the [CITSS User References](#) section of the CARB CITSS webpage.

This ensures that the Financial Services Administrator has current wire transfer instructions for the payment of consignment proceeds.

An entity that consigns allowances to an auction and also wishes to participate in the same auction must complete the process to apply for the auction by completing all required actions described in this document.

DISCLAIMER

The Detailed Auction Requirements and Instructions and the Auction Examples document should both be read in conjunction with the California Regulation, the Québec Regulation, and Ontario Regulation. A registered entity who is seeking to participate or who is participating in an auction should refer to the Act and these cap-and-trade regulations along with these two documents. Where there is a discrepancy between what is contained in these documents and the Act or cap-and-trade regulations, the Act or cap-and-trade regulations will prevail. If you have any questions about the application or interpretation of the Act or cap-and-trade regulations or have other legal questions, you should consult a lawyer.