

## California Cap-and-Trade Program Implementation Frequently Asked Questions May 24, 2013

California's Cap-and-Trade Regulation (Regulation) took effect on January 1, 2012, with amendments to the Regulation effective September 1, 2012. The enforceable compliance obligation began on January 1, 2013. ARB has developed the following Frequently Asked Questions (FAQs) to assist program stakeholders. These FAQs provide information on systems for allowance tracking, auctions and reserve sales, and related financial services. Separate guidance documents prepared to describe the regulatory requirements in a user-friendly format are available at:

[www.arb.ca.gov/cc/capandtrade/guidance/guidance.htm](http://www.arb.ca.gov/cc/capandtrade/guidance/guidance.htm).

The FAQs are organized under the following general topics and primary components of California's Cap-and-Trade Program:

- General Program and Schedule Questions
- The Compliance Instrument Tracking System Service (CITSS), General
- CITSS User Registration
- CITSS Account Application
- Corporate Associations and Consolidated Accounts
- Managing CITSS Accounts and Compliance Instruments
- Auctions and Reserve Sales
- Bid Guarantee Process

### **General Program Questions**

#### **1. What are the requirements for program registration?**

There are two (2) registration requirements for entities that are covered entities under the Cap-and-Trade Regulation (Regulation). First, the Regulation required all covered entities to register for the Cap-and-Trade Program through the Air Resources Board (ARB) by January 31, 2012. Second, covered entities were also required to complete registration in the Compliance Instrument Tracking System Service (CITSS) within thirty (30) days of the effective date of the current Regulation. The effective date of the current Regulation was September 1, 2012.

The CITSS provides accounts for market participants to hold and retire compliance instruments (allowances and offsets), and to participate in transactions of compliance instruments with other account holders.

#### **2. What is the difference between signing up for CITSS and the required program registration completed in January 2012?**

Program registration completed through the ARB online form did not register entities or individuals for the CITSS or for CITSS accounts. To hold compliance instruments, an entity or individual must separately register for and be approved for a CITSS account.

3. **What are the definitions of the different entity types that participate in the Cap-and-Trade Program – covered entity; opt-in entity; and voluntarily associated entity?**

A **covered entity** is defined in the Regulation as an entity within California that has one or more of the processes or operations and has a compliance obligation as specified in subarticle 7 of the Regulation; and that has emitted, produced, imported, manufactured, or delivered in 2009 or any subsequent year more than the applicable threshold level specified in section 95812 (a) of the Regulation. Starting in 2012, major GHG-emitting sources, such as electricity generation (including imports), and large stationary sources that emit more than 25,000 metric tons of carbon dioxide equivalent (MTCO<sub>2e</sub>) per year will have to comply with the Cap-and-Trade Program. The program expands in 2015 to include fuel distributors to address emissions from transportation fuels, and from combustion of other fossil fuels not directly covered at large sources in the initial phase of the program. Additional information, including a preliminary list of the covered entities, can be found in Chapter 2 of the Regulatory Guidance documents available at [www.arb.ca.gov/cc/capandtrade/capandtrade.htm](http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm).

An **opt-in covered entity, also referred to as opt-in entity**, is defined in the Regulation as an entity that meets the requirements of 95811 that does not exceed the inclusion thresholds set forth in section 95812 and that elects to voluntarily opt in to the Cap-and-Trade Program and is willing to be subject to the requirements set forth in the Regulation. An opt-in covered entity voluntarily elects to surrender allowances for each ton of GHGs it emits. To become an opt-in covered entity, one must be in one of the sectors covered under the Regulation, but must not already be required to comply with the Regulation (i.e., it emits less than 25,000 MTCO<sub>2e</sub> annually).

A **voluntarily associated entity (VAE)** is defined in the Regulation as any entity which does not meet the requirements of a covered entity or an opt-in covered entity and that intends to purchase, hold, sell, or voluntarily retire compliance instruments. A voluntarily associated entity is not obligated to surrender any allowances or offset credits to ARB in order to comply with the Cap-and-Trade Program. A voluntarily associated entity can be an organization or an individual, and can be any of the following:

- An entity (including an individual) that intends to purchase, hold, sell, clear, or voluntarily retire allowances or offset credits, but is not a covered entity or an opt-in covered entity;
- An entity operating an offset project or early action offset project that is registered with ARB pursuant to the Regulation; or
- An entity providing clearing services in which it takes only temporary possession of compliance instruments for the purpose of clearing transactions between two entities registered with the Cap-and-Trade Program. The entity must be a derivatives clearing organization as defined in the Commodities Exchange Act (7 U.S.C. section 1a(9)) that is registered with the U.S. Commodity Futures Trading Commission pursuant to the Commodities Exchange Act (7 U.S.C. section 7a-1(a)).

In the CITSS, **voluntary associated entities** are referred to as either **general market participant – organization** or **general market participant – individual**.

**4. How does an entity become an opt-in covered entity?**

In order to become an opt-in covered entity, the entity must be in one of the industry sectors covered under the Regulation, but must not already be considered a covered entity. To participate as an opt-in covered entity, an entity must first submit the [Opt-in Request Form](#) to ARB's Executive Officer for approval. For additional guidance, please refer to the Regulatory Guidance Document, Chapter 4 at:

[www.arb.ca.gov/cc/capandtrade/guidance/chapter4.pdf#page=2](http://www.arb.ca.gov/cc/capandtrade/guidance/chapter4.pdf#page=2).

**5. Can an individual participate in the Cap-and-Trade Program and apply for accounts in the CITSS?**

Yes, individuals can voluntarily participate in the Cap-and-Trade Program and apply for an account in the CITSS to hold, transfer, and retire compliance instruments.

**The Compliance Instrument Tracking System Service, General**

**1. What is the Compliance Instrument Tracking System Service (CITSS)?**

The Compliance Instrument Tracking System Service (CITSS) is a market tracking system that supports the implementation of California's Cap-and-Trade Program. The CITSS is the record of ownership of compliance instruments; records information related to accounts; enables and records compliance instrument transfers; facilitates compliance verification; and supports market oversight through the collection of relevant information.

**2. How do I know if my organization needs to apply for an account in the CITSS?**

California Cap-and-Trade covered entities and opt-in entities, as well as any entities that wish to hold, transfer, or retire compliance instruments issued for California's Cap-and-Trade Program, must apply for accounts in the CITSS.

**3. How does an entity or individual obtain an account in the CITSS?**

To obtain compliance instrument accounts in the CITSS, the individuals that will represent an entity must first complete user registration to receive a CITSS User ID. Following approval, the user may then apply for compliance instrument accounts on behalf of an entity which has authorized them to do so or for themselves.

**4. What types of users can access a CITSS account?**

On any CITSS account, the following types of users exist:

- **Primary and Alternate Account Representatives**

Account Representatives are individuals with the authority to represent an entity in the CITSS. The Account Representatives can edit entity information, propose to change representatives, and report the transfer of compliance instruments. Except for general market participant individual

accounts, each account must have at least two representatives, the Primary Account Representative (PAR) and one Alternate Account Representative (AAR). General market participant - individual accounts only require a PAR but are allowed to designate AARs if they choose. All accounts may have up to four AARs. The PAR and the AARs must be different individuals and must have active CITSS User IDs.

- **Account Viewing Agents**

Account Viewing Agents (AVAs) are individuals with the capability to view an entity's registration, account holdings, and transfer data in the CITSS. AVAs cannot edit entity information, propose to change representatives, or report the transfer of compliance instruments. Each account may have up to five AVAs.

**5. Is the CITSS available today? When can we start registration?**

The CITSS is currently available and can be accessed from the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss) or at: [www.wci-citss.org](http://www.wci-citss.org).

**6. What is the due date for CITSS user registration?**

The deadline for registration for covered and opt-in entities was October 1, 2012. Entities and individuals participating in the Cap-and-Trade Program voluntarily may register at any time by applying for a CITSS account. An entity or individual cannot hold, sell, or transfer allowances until their application for CITSS accounts is approved.

**7. Is there help available for completing user registration and account applications in the CITSS?**

Yes, ARB has and will continue to work with stakeholders to ensure entities are in compliance and help them complete user registration and account applications. ARB has developed a number of resources to assist you, including user guides available on the ARB CITSS webpage at [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss). You can also contact the WCI, Inc. CITSS Help Desk at 1-866-682-7561 or via email at: [help@wci-citss.org](mailto:help@wci-citss.org).

**8. How many individuals must register through CITSS for each entity or individual that will need accounts?**

All individuals that will act as account representatives or account viewing agents (AVA) on an entity or individual's CITSS accounts must complete user registration in the CITSS. Each CITSS account requires a Primary Account Representative (PAR) and at least one Alternate Account Representative (AAR). For entities that are not general market participant individuals, a minimum of two individuals for each account must be approved through the CITSS user registration process prior to completing an account application. General market participant individuals are allowed to act as both the PAR and AAR on their own account.

9. **Can several users from the same organization be logged in to the CITSS at once?**  
Yes, users from the same organization can be logged in to the CITSS at the same time.
10. **While registering CITSS users and completing CITSS account applications, can one pause, save data, and come back later and complete the forms?**  
When completing user registration, all online information must be completed and submitted, and the required forms must be printed before the individual entering data leaves the CITSS. This is not the case during account application. When completing an account application, after the individual entering data has completed the entity or individual's identification and contact information, the information is saved and the individual can leave the CITSS and sign in later to complete the application. In addition, after the online data has been submitted for an account application, the CITSS user completing the application can print the forms or leave the CITSS and return at a later time to print the forms.
11. **Are you required to have a relationship to a covered entity to register in the CITSS and participate in the Cap-and-Trade Program?**  
No, there is no requirement that an entity or individual have a relationship to a covered entity to participate in California's Cap-and-Trade Program.
12. **We are not sure yet who we want to serve as account representatives and may register multiple users, some of whom may not end up with a role on our accounts. Is there a down-side to registering more users than we might need?**  
Although not prevented by the CITSS, ARB does not recommend that a user register unless that individual expects to be associated with an account, since all individuals who register must meet Know-Your-Customer (KYC) documentation requirements.
13. **Can a private individual register and open an account to buy allowances for private use or retirement?**  
Yes, individuals are eligible to open accounts as a general market participant to acquire, hold, and retire compliance instruments. Individuals must complete user registration and following registration approval must apply for accounts as a general market participant (individual). General market participant individuals are allowed to act as both required representatives on their accounts or may designate additional individuals as account representatives.
14. **I am a student at a university; can I register and open an account? Are there requirements relating to experience, credit, or assets?**  
Any individual can register as a user and apply for accounts in the CITSS as an individual general market participant as long as they meet the requirements for user registration and account application outlined in the Regulation. There are no experience or credit requirements for opening a compliance instrument account as an individual general market participant.

- 15. Can I operate a CITSS account like an online trading account?**  
No, the CITSS provides for the tracking of compliance instruments. Trading, purchasing, and selling of compliance instruments occurs outside of the CITSS. Transfers must be recorded in the CITSS in specific time frames, as described in the Regulation.
- 16. Does an individual need to be located in California to register and participate?**  
No, there is no requirement that individuals registering for the CITSS be located in California. However, there are residency requirements associated with account applications. All accounts must have at least one representative that resides in California or an agent for service of process in California. Individuals must have a primary residence in the United States.
- 17. I have registered and received a confirmation from CITSS that my data was submitted, do I have to wait until ARB receives all the required documentation before I can access the CITSS?**  
Yes, you must wait. You will not be able to access the CITSS until your user registration is approved. User registration requires the submittal of all online data and hard-copy documentation for review by the California Registrar, who will make a determination of approval or denial. If approved, the user will receive an email notifying that person of his or her approval and the individual can then access the CITSS using the login information submitted during the online portion of user registration.
- 18. Are the User ID and Password for the CITSS something we request through the CITSS user registration process?**  
Yes, during the online portion of user registration, each user submits a unique User ID and Password that will be used to access the CITSS following approval of that person's user registration. ARB recommends that you select a User ID and Password that are memorable as we receive many requests through the CITSS Help Desk related to forgotten User ID's and Passwords.
- 19. How long is the CITSS password active until it must be reset?**  
The CITSS password is active for sixty (60) days, after which time the user will need to reset it.
- 20. Who provides support services for questions about the CITSS?**  
WCI, Inc. is responsible for operational services for the CITSS, such as hosting, maintenance, and help desk support. Some or all of these services may be provided through a contractor. For questions or comments related to the CITSS, please contact the WCI, Inc. CITSS Help Desk at 1-866-682-7561 or via email at: [help@wci-citss.org](mailto:help@wci-citss.org) for assistance.
- 21. How does ARB protect the transmittal and storage of confidential information provided during user registration?**  
ARB has developed a policy statement, [Protecting the Security of Confidential and Personal Information Provided for Participation in the Cap-and-Trade](#)

Program, to respond to questions regarding the protection of personal information submitted in the course of CITSS user registration and account application. The statement is available on the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

**22. What requirements or plans are in place to ensure business continuity for the CITSS?**

CITSS hosting is administered by WCI, Inc. through a contract for services that requires the contractor to develop and maintain a System Security Plan and Disaster Recovery Plan to provide business continuity for the CITSS.

CITSS is anticipated to be available to users based on a 99.9% uptime service level requirement to ensure the CITSS is continuously available. Other services that have been established to provide business continuity include:

- Availability monitoring and notification services for CITSS administrators.
- Incident management, including incident communication, and recovery procedures.
- Highly durable multi-location backups for the CITSS data, allowing CITSS to be restored to its state as of the last fully processed transaction.
- CITSS architecture that allows for rapid recovery following a disaster or incident.

The Regulation requires actions be undertaken in the CITSS by certain dates or within specific timeframes. In the unlikely event that the CITSS downtime affects these dates or timeframes, and this has a direct impact on regulatory compliance, any potential enforcement action would consider the impact of CITSS availability on a case-by-case basis.

**23. What requirements or plans are in place to ensure the CITSS is secure?**

The contractor providing hosting services, SRA International, Inc., is providing these services in conformance with industry standards and best practices for hardware, software, and network security, commensurate with the sensitivity of the application and data (e.g., financial institution and banking industry practices).

**24. What happens if there is a security breach with user information?**

California privacy protection laws dictate the notifications and actions that must be taken by a state agency in the event of a security breach related to confidential or personal information. These laws can be reviewed on the Office of Privacy Protection website at [www.privacyprotection.ca.gov](http://www.privacyprotection.ca.gov).

**CITSS User Registration**

**1. What information will be needed for CITSS user registration?**

Guidance on user registration in the CITSS is provided in the [CITSS User Guide, Volume I](#), available on the ARB CITSS webpage at [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

CITSS user registration includes the submittal of information online and in hard-copy form. Each applicant must provide the following online in the CITSS:

- Name
- Date of birth
- Addresses (primary and mailing)
- Employer name, contact information, and address (entry requested but not required in online system, documentation required)
- Contact information including telephone numbers and e-mail address
- Self-selected username and password

In addition, each applicant will need to provide information through the completion of forms and notarized documentation used to complete a “Know-Your-Customer” verification.

**2. During user registration do you indicate your role (e.g., account representative, account viewing agent) or do you complete registration in order to be able to sign up in one of these roles later in the process?**

During user registration, you do not indicate your role on an account. User registration is required for any individual who will need access to the CITSS, regardless of that person’s future role on entity or individual accounts.

**3. In the event that there is a question regarding data submitted for user registration, will ARB issue a denial or will they contact the individual or entity so that the user registration process will continue?**

ARB staff will contact the individual to try to resolve any questions or issues. Similarly, if a question arises during review of an account application, ARB will contact a designated representative.

**4. Under what circumstances would a person be denied user registration?**

The Regulation describes the reasons why an individual’s registration may be denied. In general, applicants may be denied registration based on information provided; if the ARB Executive Officer determines the applicant has provided false or misleading information; or if the ARB Executive Officer determines the applicant has withheld information material to its application. In addition, ARB cannot provide access to the CITSS to individuals with a criminal conviction constituting a felony in the United States within the five previous years.

**5. Can you update your data after receiving approval of user registration?**

Yes, an approved user may propose updates to his or her user information directly in the CITSS. Some proposed changes will require approval from the California Registrar. The individual may need to submit new documentation and/or forms before the changes can be approved. If a change requires approval, the existing data will remain in effect until the proposed changes are approved. Guidance on making changes to user information is provided in the [CITSS User Guide, Volume I](#), available on the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

**6. Can you use FedEx instead of US Mail to deliver registration documents?**

Yes, you may use any delivery service such as FedEx or UPS to send the documentation to the California Registrar at the address noted on the *User Registration Checklist*, which is Form #1 generated by the CITSS at the end of the online portion of user registration.

**7. Should a company have more than one individual register for the CITSS?**

Yes, because a company must designate both a Primary Account Representative (PAR) and an Alternate Account Representative (AAR) during the account application process, at least two (2) individuals that will represent an entity **must** complete user registration. Entities are able to designate up to four (4) AARs during or after the account application process and up to five (5) Account Viewing Agents (AVA) after the application has been approved. To be designated in any role, an individual must have completed user registration in the CITSS and have an approved CITSS User ID.

**8. Are copies of the Terms and Conditions which must be accepted during user registration available?**

Yes, the Terms and Conditions are included in CITSS Registration Form #2, the *User Registration Form*. ARB has provided blank copies of all registration forms for your reference on the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

*Online Data Entry***9. Can we use a company business address for the primary address in user registration?**

In most cases, no, you must provide a personal residence address. If you are an employee of a covered entity or opt-in entity there are two (2) options available for submitting the required KYC documentation and the option selected will affect the address entered. The KYC documentation must be completed under both options, but in Option 1, the documentation is submitted to ARB, and in Option 2, the documentation is submitted to the entity. If selecting the option to submit the KYC documentation to the entity instead of ARB, you are allowed to use a company business address for the primary address in the CITSS data entry. Guidance on the options available to employees of a covered entity or opt-in entity is provided on the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

**10. Why is home address information required?**

The Regulation, Section 95834, requires that before access can be granted to the CITSS, an individual must provide documentation of his or her residence address. In addition, the Regulation, Section 95832, requires that any individual that will act as a representative on compliance instrument accounts provide his or her residence address. The personal address is one piece of information used to confirm your identity, which will provide for the protection of the system and all of the participants and help prevent system manipulation and fraud. In addition, the Regulation has specific requirements for residency that must be confirmed by providing a residence address.

**11. Why is personal information requested for the security questions, what are the questions used for and who can see these questions and answers?**

The security questions are used in the CITSS system in the event that you forget your password. If you select the “Forgot Password” link on the CITSS sign in page, you will be asked to provide the answers and if successful you will be assigned a temporary password to log in to the CITSS. Using information known only to you helps protect your account from being fraudulently accessed. None of the program staff has knowledge of the questions selected or the answers you provided. They are not seen by anyone but you.

*Know-Your-Customer Requirements and Proof-of-Identity Documentation*

**12. What information will be needed to comply with the Know-Your-Customer (KYC) requirements of the Regulation?**

The information necessary to comply with the Know-Your-Customer (KYC) requirements of the Regulation is submitted through the CITSS registration process and includes both online data entry and hard-copy documentation. The required documentation must be notarized by requesting a Jurat from a notary public. The following list identifies the data that must be documented and acceptable forms of documentation.

- Documentation of your name, primary residence address, and date of birth, as well as photographic evidence of your identity. Acceptable forms of documentation include photocopies of your driver's license, identity card, passport, or another government-issued identity document which includes an expiration date and contains the required information. Multiple forms of documentation may be necessary to document all required information.
- Documentation of your employer name, address, and contact information. Acceptable forms of documentation include an employment verification letter containing the name and address of the employer and contact information of a supervisor, or photocopies of a recent paycheck with your employer name and address clearly printed. If providing a copy of a paycheck, contact information for a supervisor should also be provided and can be done by including a business card for that individual. Information such as pay, benefits, and social security number should be redacted from any documentation.
- Documentation of an open bank account. Acceptable forms of documentation include photocopies of a recent bank statement, a letter from a bank documenting an open bank account, or a voided check from an open bank account in your name. Information such as balances, account number, and transactions should be redacted from this documentation, if included.

**13. Are employees of covered entities and opt-in entities required to complete Know-Your-Customer (KYC) requirements?**

Yes, all individuals applying for access to CITSS are required to complete the KYC documentation. If you are an employee of a covered entity or opt-in entity and will be conducting activities in the CITSS solely for that entity, there are two (2) options available for submitting the required KYC documentation. The KYC

documentation must be completed under both options, but in Option 1, the documentation is submitted to ARB, and in Option 2, the documentation is submitted to the entity. If selecting Option 2, the entity takes on certain liabilities related to the KYC documentation: (1) both the entity and individual must provide additional attestations to ARB, and (2) the entity must make the KYC documentation available to ARB representatives on request. Guidance on these options is available on the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

**14. I registered and mistakenly entered my company address for primary residence address in the online data entry but the forms have not been submitted to the California Registrar. Can I go back into the CITSS and change this?**

If you have not submitted your forms, you can correct this information in any one of the following ways:

- Cross out and correct the information on Form #2, *User Registration Form*, enter the correct information as documented on your proof-of-identity documentation, and initial the changes.
- Complete the CITSS *User Registration Online Data Entry Supplement Form* (directions and form are available in the [CITSS User Guide, Volume 1](#), on the ARB CITSS webpage at [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss)).
- Submit a signed, dated letter with your forms explaining the change.

Following approval of your user registration, you will be required to update this information in the CITSS prior to approval of an account application designating you in any role.

**15. I previously registered using my company address for primary residence address and have already submitted the forms to the California Registrar. Can I correct this in the CITSS or in some other way?**

If you have already submitted your forms, you can correct this information by one of the following ways:

- Complete the CITSS *User Registration Online Data Entry Supplement Form* (directions and form are available in the [CITSS User Guide, Volume 1](#), on the ARB CITSS webpage at [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss)).
- Submit a signed, dated letter with your forms explaining the change.

Be sure to include your full name and the User Reference Code listed on the forms generated from the CITSS and in email correspondence you have received so the paperwork can be matched to your original submittal. The User Reference Code is a unique 12 digit code identifying your user registration, this is not your User ID. You should also contact the CITSS Help Desk and request that they inform the California Registrar that you are submitting updated documentation related to your user registration. Following approval of your user registration, you must correct the information in the CITSS prior to approval of an account application designating you in any role.

- 16. Why is proof of a bank account required?**  
The KYC requirements contained in the Regulation, Section 95834, require that before access can be granted to the CITSS, an individual must provide documentation of an open bank account. This information is used to confirm your identity, which will provide for the protection of the system and all of the participants and help prevent system manipulation and fraud. When supplying proof of a bank account, you should redact account numbers and any financial information such as balances or transactions. You may also submit a letter from your bank simply stating that you hold an open account.
- 17. Is a credit union account considered the same as a bank account?**  
Yes, a credit union account is considered the same as a bank account.
- 18. Do I provide documentation of my personal bank account or company bank account?**  
The CITSS user registration KYC documentation requires documentation of an open personal bank account in your name.
- 19. If providing a copy of a bank statement or voided check as proof of an open bank account, can the account number be redacted?**  
Yes, if providing a copy of a bank statement or voided check, the account number and balances should be redacted.
- 20. Do we need to send the actual check or just a copy?**  
A copy of a check is sufficient, but the original may need to be shown to the notary. Only the notary can advise you of the requirements for notarization.
- 21. Do AVA's need to submit the Proof of Identity documents?**  
Yes, the Proof-of-Identity information and documentation is required for CITSS user registration and is not affected by the nature of the role an individual will fill on accounts.
- 22. When completing Section G of the Proof of Identity Form disclosing employment or relationship to other entities, does the entity legal name need to match exactly the legal name that the entity used during Cap-and-Trade Program registration completed in January 2012?**  
No. When disclosing employment relationships, the name provided on the Proof of Identity Form must be either the legal or operating name of the entity as it is or will be shown in the CITSS.
- 23. Would we include subsidiaries that are also going to be in the Cap-and-Trade Program on Section G of the Proof of Identity Form? Do we have to report our relationship with vendors? What if my employer is a member of a JPA and the JPA is also a reporting entity?**  
Section G on the Proof of Identity Form asks for a description of any employment or relationship that the individual has with other entities that will register with the Cap-and-Trade Program. The relationship description is specific to the individual, not to the entity that the individual works for. You should only list a

subsidiary, vendor, or JPA if you are also employed by, are a consultant to, or are an owner of that other entity.

- 24. If the company that you work for hasn't completed an account application in the CITSS yet, can you still make that representation in Section G of the Proof of Identity Form?**  
Yes, Section G of the Proof-of-Identity Form requires that you disclose employment or other relationship to any entity that has or will participate in the Cap-and-Trade Program.
- 25. On the proof of Identity Form, what type of violations must be reported; are traffic violations included?**  
An individual completing user registration must disclose any felony convictions. If a conviction resulting from a traffic violation was deemed a felony, it must be disclosed.
- 26. Do you have a sample Jurat that would be acceptable to ARB?**  
ARB cannot require any special form or content for the Jurat. The requirements for Jurat form and language are set in law and can be reviewed on the California Secretary of State's webpage at: [www.sos.ca.gov/business/notary/](http://www.sos.ca.gov/business/notary/).
- 27. Does the Jurat need to be notarized by a California notary?**  
No, ARB will accept notarization from an out-of-state notary if that notary is recognized as authorized or licensed under the requirements of the state in which notarization is being completed.
- 28. Do we need one Jurat for each form and document or can we use one Jurat for all the documents?**  
The Regulation does not require a separate Jurat for each document.
- 29. Should the signature on the Proof of Identity Form be signed in front of the notary?**  
ARB recommends that the Proof-of-Identity Form be signed in front of the notary.
- 30. What happens to the hardcopy proof of identity paperwork when an employee of an organization terminates? Will there be a mechanism to return their proof of identity paperwork from the CA Registrar?**  
A user's access to the CITSS is not dependent on their employment. In other words, the individual will still have the ability to log in to the CITSS. If an employee leaves an entity, the entity will submit a request to change account representatives, and the individual that has been removed will no longer have access to the entity's accounts. There is no process for returning information.

### **CITSS Account Application**

- 1. What is the difference between registering as a general market participant – organization versus a general market participant – individual?**  
A general market participant will need to register as either an individual or an

organization, based on whether a business entity or organization will be the owner of the compliance instruments in the CITSS account or an individual will own the compliance instruments held in the CITSS accounts.

**2. What type of account does an Electric Distribution Utility apply for in order to receive their free allowance allocation?**

Electric Distribution Utilities that will receive a direct allocation of allowances should apply as covered entities whether they will have a compliance obligation or not.

**3. What steps can I take to prepare to complete the CITSS application for compliance instrument accounts?**

Applying for compliance instrument accounts in the CITSS will take place after at least two (2) entity representatives have completed user registration. Only an approved CITSS user will be able to enter account application information for their own account or on behalf of an entity that has authorized them to do so. The information provided below will be needed to apply for compliance instrument accounts on behalf of a covered entity. *General Market Participants (entities and individuals) are not required to provide the items identified with an asterisk.* To assist in developing the required information, additional guidance is provided in the CITSS User Guide, Volume II, and copies of the required forms are available on the ARB CITSS webpage. Program participants are encouraged to gather the listed information and develop necessary documentation so that all materials will be available when completing account application:

- Legal and operating names of the entity
- Physical and mailing addresses of the entity
- North American Industry Classification System (NAICS) code\*
- Contact information (telephone numbers and email addresses)
- California GHG emissions reporting identifiers\*
- ID Number issued by an incorporating agency, if applicable
- Date and place of incorporation, if applicable
- A business number assigned by the California Secretary of State, if one has been assigned\*
- U.S. Federal Tax Employer ID Number
- Data Universal Numbering System (DUNS) number\*
- Entity website address, if any\*
- User Reference Codes for all account representatives – a minimum of one Primary Account Representative (PAR) and at least one Alternate Account Representative (AAR) must be assigned (individuals may act as both PAR and AAR on their own accounts)
- Description of corporate associations and structure
- Names and addresses of the entity's directors and officers
- Names and contact information for persons controlling over 10% of voting rights attached to the outstanding voting securities of the entity

**4. Can a registered CITSS user complete the account application and assign account representatives and viewing agents if they are not going to be one of the representatives or viewing agents themselves?**

Yes, unless the account application is for an individual account holder. An individual completing an account application for an entity must be a registered CITSS user and must have been authorized to complete the online data entry by the entity, but does not have to be designated as the PAR or an AAR in the application. If the account is being established for an individual, that individual must act as the PAR and must complete the online data entry since they must use confidential personal log-in information.

**5. Is there a California address requirement for account application in the CITSS?**

The Regulation does not require that a covered entity, opt-in entity, or general market participant be located in California. Entities must designate either an account representative with a California address or an agent for service of process in California. General market participants must be located, or for individuals reside, in the United States.

**6. Does a business entity with multiple individual covered facilities apply for individual accounts for each facility and/or a combined account for all of its covered facilities?**

Each source or facility is a separate entity in California's Cap-and-Trade Program. Per the Regulation, ARB will provide a consolidated account(s) for entities with a direct corporate association. Entities can choose to opt-out of the consolidated entity and apply for their own account(s). Additional guidance on consolidation of accounts is available on the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

**7. Does the email address used for "entity contact information" have to match one of the emails previously established for the account representatives during user registration?**

No. The email requested during account application on the contact information page does not have to be the same as one of the account representatives, but it may be the same. This email is used as a back-up for general messages related to the CITSS. No information regarding account transactions will be sent to this email unless it is also the email associated with an account representative.

**8. What is the purpose of the alternate contact person?**

The alternate contact person and contact information requested during account application on the account representatives page is used as a back-up for general messages related to the CITSS. The designated contact person could be contacted in case an account representative cannot be reached. No information regarding account transactions will be provided to this individual.

*Primary and Alternate Account Representatives and Account Viewing Agents*

**9. When is the CITSS User Reference Code generated?**

The CITSS User Reference Code is generated during the submittal of online

information for CITSS user registration. The User Reference Code will be displayed on the Registration Submitted screen in the CITSS after the online data entry is completed. It will also be printed on the three (3) forms generated following the online submittal of information.

**10. What is the relationship between completing user registration and becoming an account representative during the account application process?**

An individual completes user registration to receive a CITSS User ID that will provide access to the CITSS system. The individual is not linked to any accounts during user registration. In the CITSS, completing an account application is a separate process from user registration. During the account application process, an entity will designate account representatives (PAR and AARs). Each designated representative must have received approval of his/ her user registration prior to being identified as the PAR or AAR on any account.

**11. Are there three (3) types of users on an account?**

There are three types of roles that a user may fill on an account. They are:

- Primary Account Representative (maximum of one (1) on any account)
- Alternate Account Representative (maximum of four (4) on any account)
- Account Viewing Agents (maximum of five (5) on any account)

**12. Do all accounts have to have a PAR and an AAR?**

Yes, all entities must designate a PAR and at least one (1) AAR. Individuals applying for a general market participant individual account may act as both the PAR and AAR on his or her account and are not required to designate a second individual as the AAR on that account.

**13. What are the differences in authority of a PAR and an AAR?**

There is no difference in the authority of primary and alternate account representatives. All account representatives, PARs and AARs, will have the same authorities to take action on an entity's accounts in the CITSS.

**14. Do the PAR and AAR for one account register separately as two different users?**

Yes, each individual that will be designated as a PAR or an AAR must first complete user registration and receive approval from the California Registrar.

**15. Do the PAR and AAR need to complete user registration prior to applying for an entity account?**

Yes, each individual that will be designated as an account representative must first complete user registration and receive approval from the California Registrar.

**16. Can the same person serve as a PAR, AAR, or AVA for multiple entities' accounts and on different types of accounts?**

In the CITSS, one individual may act as the PAR and/or AAR for each entity account. The same individual could be designated as a PAR, AAR, or AVA on

multiple entities' accounts and different types of accounts such as representing a covered entity and a general market participant.

**17. To help us identify who should be PAR and AAR, can you provide guidance on how we should determine who has 'authority' to purchase compliance instruments and manage accounts on behalf of the company?**

In the CITSS, the PAR and AAR both have the authority to transfer compliance instruments, manage entity accounts, and, if applicable, consign compliance instruments on behalf of the entity. If an entity intends to participate in an auction or reserve sale, both the PAR and AAR have the ability to apply for participation and purchase compliance instruments on behalf of an entity. Any authority granted to an individual by an entity is an issue for the entity and no guidance can be provided by ARB regarding these responsibilities.

**18. Can all four (4) AARs complete user registration at this time?**

Yes, all AARs can be designated at the time an account application is submitted. If an account is already approved, the current PAR or AAR will need to add these representatives to the entity account in the CITSS.

**19. Can an entity or individual assign a third party such as a consultant or a broker to act as the PAR or AAR?**

The Regulation allows an entity to assign as a PAR or an AAR, any individual with an active CITSS user account. Each entity is solely responsible for designating account representatives.

**20. Do the PAR and AAR have to have a California residence address?**

No, the PAR and AAR are not required to have a California residence address, but if neither one has a California address, the entity or individual applying for accounts must designate an agent for service of process in California.

**21. If a company has two entities in CA but has headquarters in another state, can the PAR be at the headquarters and the AARs be at the CA facilities?**

Yes, however, all representatives must complete user registration in the CITSS before they can be designated as account representatives.

**22. What is an "Agent for Service of Process," which is required for an entity that does not have a PAR or AAR with an address in California?**

An agent for service of process is an individual who resides in California, or a corporation, that has previously filed a certificate pursuant to California Corporations Code section 1505, designated to accept service of process if the business entity is sued. Information on this topic is available in the frequently asked questions section of the Secretary of State's Business Programs webpage at: [www.sos.ca.gov/business/be/faqs.htm](http://www.sos.ca.gov/business/be/faqs.htm).

**23. What type of person can be designated as an "Agent for Service of Process?"**

The Regulation requires that an agent for service of process must be an individual who resides in California, or a corporation, that has previously filed a

certificate pursuant to California Corporations Code section 1505. Information on the California requirements for an agent for service of process can be found on the Secretary of State's Business Programs webpage at:

[www.sos.ca.gov/business/](http://www.sos.ca.gov/business/).

**24. If you are an out of state company who doesn't have a representative in California, does your agent for service of process need to be a registered CITSS User?**

No, the agent for service of process does not have to complete CITSS user registration.

**25. How are Account Viewing Agents (AVA) used by an organization?**

An entity may designate an individual as an account viewing agent if that individual needs to access the accounts to check the status of the accounts; for example, for auditing or reporting purposes. Account viewing agents are not able to make any changes in the CITSS.

**26. Where do you enter the Account Viewing Agents (AVA)?**

An entity or individual will be able to designate up to five (5) AVAs following approval of an account application by entering the User Reference Codes for the individuals online in the CITSS and completing the [Request to Change Account Representatives/Account Viewing Agents Form](#), which is available through the CITSS and on the ARB CITSS webpage at [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

### **Corporate Associations and Consolidated Accounts**

**1. Where can I get more information on completing the Corporate Associations and Structure Form?**

A guidance document, [Guidance for Compliance Instrument Tracking System Service \(CITSS\) Account Application Corporate Associations and Structure Form](#), and blank and sample forms are all available on the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

**2. How do I determine what officers and directors need to be reported on the Corporate Associations and Structure Form?**

Entities should report officers responsible for major functions of the entity, such as corporate governance, operations, environmental compliance, and financial operations. The entity should disclose other officers, including elected officials, if they control important decision-making functions that affect GHG emissions or Cap-and-Trade Program compliance. Entities should report directors such as members of the entity's board of directors, if it has one.

**3. During the CITSS account application process, are entities required to report the business or personal addresses for directors, officers, and those holding over 10 percent of voting rights?**

The Regulation requires that a mailing address be provided. The address can be either a personal or business address where the individual can receive mail associated with the entity's participation in the Cap-and-Trade Program.

**4. How are corporate associations defined for public entities?**

Per the Regulation, a publicly owned electric utility or joint powers agency that is the operator of an electricity generating facility in California has a direct corporate association with the operator of another electricity generating facility in California if the same entity operates both generating facilities. A publicly owned electric utility or joint powers agency that is the operator of an electricity generating facility in California has a direct corporate association with an electricity importer if the same entity operates the generating facility in California and is the entity importing electricity. When reporting these types of corporate associations, the “Measure of Control” and “Percentage of Control” fields may be left blank.

**5. How does an entity with a direct corporate association with other entities receive a consolidated set of accounts?**

The Regulation requires ARB to automatically provide a consolidated set of accounts to entities that have a direct corporate association. Entities may choose to not be part of a consolidated set of accounts by formally requesting to opt-out. ARB has provided the [Guidance for Consolidated Accounts Application and the Compliance Instrument Tracking System Service \(CITSS\)](#) and the [Consolidated Entity Account Form](#) to allow entities to complete the information needed for consolidation of accounts. These documents are available on the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

**6. Should an entity apply for a CITSS account if it will be included in a Consolidated Entity Account?**

It is not necessary for all individual covered entities that are included in the consolidation to apply for individual CITSS accounts. One entity within the group of entities with a direct corporate association may submit the [Consolidated Entity Account Form](#) and apply for accounts in the CITSS. This entity is referred to as the Consolidated Entity Account (CEA). The account representatives for the CEA would then submit all the account application and account consolidation information for all entities represented by the CEA. Each of the entities will confirm that they intend to be represented by the CEA.

If an entity that will be included in a CEA has already received approval of a CITSS account, that account can be consolidated into the CEA, and the individual account will be closed. If an entity has applied for a CITSS account but has not received approval, please contact the WCI, Inc. CITSS Help Desk at 1-866-682-7561 or via email at: [help@wci-citss.org](mailto:help@wci-citss.org) for assistance. For more information, please refer to the [Guidance for Consolidated Accounts Application and the Compliance Instrument Tracking System Service \(CITSS\)](#), which is available on the ARB CITSS webpage at: [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

**7. How does account consolidation affect participation in auctions?**

Any entity wishing to participate in an auction will need to have an approved CITSS account prior to the end of the auction application period for that auction. Consolidated Entity Accounts are eligible to apply to participate if all CITSS account paperwork has been submitted and approved in time to meet the auction application deadline.

**8. How does an entity “opt out” of consolidation of accounts?**

If an entity that has a direct corporate association with another entity or group of entities subject to the Cap-and-Trade Program chooses to not be part of a CEA, that entity must provide a complete and signed [Consolidated Entity Account Form](#), including:

- a distribution of purchase and holding limits; and
- an acknowledgement by the PAR for the CEA or other entities retaining their separate CITSS accounts of the request for an opt-out.

The entity will also need to apply for a separate account in the CITSS, and report any entities with which it has a corporate association.

**Managing CITSS Accounts and Compliance Instruments****1. If a change occurs in the information provided when an account was established, how can an authorized representative make a change to an entity’s information in the CITSS?**

An approved PAR or AAR can enter changes to an entity’s information through the CITSS. Most changes require ARB Registrar approval and may require the submittal of new forms and/or documentation. Some changes, such as changes to organizational structure, are made by providing updated forms and documentation but may not require any data entry in the CITSS.

It is important for all account holders to be aware of the regulatory requirements for updating account information, as well as the potential impact of account changes on an entity or individual’s ability to participate in an auction held under the Cap-and-Trade Program. Data must be updated in the CITSS prior to the auction application period closing, which is thirty (30) days before the auction. For more information on making changes to an entity’s account information, please refer to the CITSS User Guide available on the ARB CITSS webpage at [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

Additionally, changes not made in the CITSS but by providing updated forms and documentation, must be completed thirty (30) days before an auction application period closing to participate in an auction.

**2. Will the CITSS enable users to conduct activities such as the recording of a transfer of compliance instruments?**

Yes, program participants are required to report compliance instrument transfers in the CITSS. One of the key components of the CITSS is the functionality to securely record the transfer of compliance instruments within an entity’s accounts and between accounts held by different registered CITSS entities.

**3. How will serial numbers for compliance instruments be presented in the CITSS?**

Compliance instrument serial numbers will be displayed to account holders based on their attributes. Provided below is an example of how attributes will be displayed. Some attributes are presented by the type of compliance instrument.

For example, the issuing jurisdiction is displayed for offset credits, but not for allowances.

Vintage	Jurisdiction	Type	Sub-type	Category	Project Code	Quantity
2013	-	Allowance	-	-	-	500,213
2015	-	Allowance	-	-	-	750,567
-	-	Allowance	Early Reduction Allowance	-	-	20,152
-	-	Allowance	Price Containment Reserve Allowance	-	-	50,000
2012	CA	Offset		Livestock Projects	PR05685	15,156
2012	CA	Offset		Ozone Depleting Substances Projects	PR05625	1,798
2012	CA	Offset		Urban Forest Projects	PR98322	501
2012	CA	Offset		U.S. Forest Projects	PR98322	467
2012	QC	Offset		QC-type X	PR00001	879
2013	CA	Offset		Ozone Depleting Substances Projects	PR98323	867,000

**4. How does the CITSS track compliance offset credits?**

The CITSS will track compliance offset credits just as it tracks allowances.

**5. Why will unique serial numbers not be displayed in the CITSS?**

CITSS does not present unique serial numbers based on lessons learned in the European Union Emissions Trading System (EU ETS) and is consistent with the current design of the EU ETS. Serial numbers are not presented in the CITSS to account holders to ensure:

- All vintage allowances in the system are fully fungible and no one allowance is more valuable than another.
- Theft of any specific instruments based on serial numbers cannot occur.
- Flexibility in accounting and transferring for compliance instruments.

Enough information on each instrument will be available to account holders in CITSS to ensure account holders receive the specific types of allowances and offsets they contract to purchase.

**6. Will the CITSS enable entities holding compliance instruments to download a complete inventory of compliance instruments within their accounts?**

Yes, the downloading of an inventory of compliance instruments in a CSV or Excel file is available in the CITSS.

**7. How does the CITSS integrate and work with other services such as auctions?**

The CITSS will provide information to the Auction Administrator, Financial Services Administrator and Market Monitor, as required, to complete auction and reserve sale processes. Each entity that intends to participate in an upcoming

auction or reserve sale must identify their interest to participate in upcoming auctions and reserve sales by selecting the “Auction Participation” box in the CITSS. This selection allows the entity and representative information to be shared with the Auction Administrator, Financial Services Administrator and Market Monitor. To select the “Auction Participation” box, an AAR or PAR of the entity must log in to the CITSS, access an account held by the entity, and under the Account Detail for the entity, select the box on the Auction Tab.

**8. Does ARB test the CITSS with market participants?**

Yes, ARB conducted stakeholder testing of the CITSS functions in April 2012 and September 2012, and conducted a practice auction in August 2012. In support of releases of new or expanded functionality in the CITSS, ARB will conduct stakeholder testing, provide training, and provide updated resources.

**Auctions and Reserve Sales**

As part of the Cap-and-Trade Program, ARB will hold quarterly GHG allowance auctions as well as sales of GHG allowances from the Allowance Price Containment Reserve (reserve sales) to allow market participants to acquire allowances directly from ARB. The Auction and Reserve Sale Administrator (Auction Administrator) will administer all auctions and reserve sales. ARB has contracted with Markit North America to act as the Auction Administrator and Deutsche Bank National Trust Company (Deutsche Bank) to act as the Auction and Reserve Sale Financial Services Administrator (Financial Services Administrator).

Auction and reserve sale participants must apply for participation in the first auction or reserve sale in which they wish to participate. For any subsequent auction or reserve sale, the entity or individual must confirm their intent to bid in the auction or reserve sale they plan to participate in. Eligible participants must also meet financial guarantee requirements in order to participate in an auction or reserve sale.

Additional detail on auction and reserve sale processes is provided in the Auction Notice or Reserve Sale Notice posted prior to each event. The notices will be made available on the ARB Auction Information webpage at: [www.arb.ca.gov/auction](http://www.arb.ca.gov/auction).

Additional information on auction and reserve sale activities is provided in the *Auction and Reserve Sale Activities Summary of Expected Dates* which is available at: [www.arb.ca.gov/auction](http://www.arb.ca.gov/auction).

**1. What is the difference between a “current auction” and an “advance auction”?**

During each GHG allowance auction conducted by ARB, GHG allowances will be offered for sale in a “Current Auction” and an “Advance Auction.” The Current Auction will offer allowances from the current and previous budget years. The Advance Auction will offer allowances from the budget year three years subsequent to the current calendar year. Bids for both auctions will be accepted during the same auction bidding window.

**2. Is the CITSS used to operate auctions and reserve sales?**

No, auction and reserve sale operations are separate from the CITSS, as well as all other functions of the Cap-and-Trade Program, in order to prevent any conflicts of interest. The Auction Administrator, Markit North America, will maintain the Auction and Reserve Sale Platform (Auction Platform) and will receive required data through ARB to support the auction and reserve sale operations.

**3. Will registration in the CITSS allow participation in an auction or reserve sale, or is an additional application required?**

No, to participate in an auction or reserve sale, an entity or individual is required to register for an account in the CITSS. In addition, prior to any auction or reserve sale that the entity wishes to participate in, the PAR or an AAR for the entity must select the "Auction Participation" box in the CITSS to indicate the entity's interest to participate in upcoming auctions and reserve sales. By selecting this box, an entity is agreeing to have the entity name, entity contact information, account numbers, representative names, representative phone numbers, and representative email addresses transferred to the Auction Administrator and Financial Services Administrator for the purpose of participating in upcoming auctions or reserve sales. This box must remain selected prior to every auction or reserve sale an entity wants to participate in. Once selected, the box will remain selected until a PAR or an AAR removes the selection.

To participate in an auction or reserve sale, each entity or individual must also complete an application or confirm an intent to bid specific to that auction or reserve sale in the Auction Platform. The first time an entity or individual wishes to participate in an auction or reserve sale, that entity or individual must complete an application through the Auction Platform. Once an entity has been approved to participate in an auction or reserve sale, for any subsequent auction or reserve sale, that entity or individual must confirm their intent to bid to be eligible to participate in each auction or reserve sale. Only covered entities and opt-in entities are eligible to participate in reserve sales.

Details of the application and confirmation of intent to bid processes for each auction will be provided in the Auction Notice posted sixty (60) days prior to each auction. Details of the application and confirmation of intent to bid processes for each reserve sale will be provided in the Reserve Sale Notice posted four (4) weeks prior to each reserve sale.

**4. What are the administrative requirements to participate in an auction or reserve sale?**

There are a number of administrative requirements associated with an entity's participation in an auction or reserve sale. Any entity or individual wishing to participate in an auction or entity wishing to participate in a reserve sale must:

- Have an approved CITSS account and have selected the Auction Participation box in the CITSS no later than one day prior to the end of the application period for each auction.

- Complete an application or confirm their intent to bid through the Auction Platform by the deadline provided in the Auction Notice or Reserve Sale Notice.
- Submit a bid guarantee per the instructions provided in the Auction Notice or Reserve Sale Notice.

#### 5. **How do I select the Auction Participation box in the CITSS?**

The PAR or an AAR for each entity or individual that wishes to participate in an auction or reserve sale must select the Auction Participation box in the CITSS no later than one (1) day prior to the close of the application period for the auction or reserve sale in which the entity is interested in participating. To select the Auction Participation box, you must complete the following steps:

- Log in to the CITSS (<https://www.wci-citss.org>).
- Select the “View” button for the entity’s or individual’s General Account.
- Select the “Account Detail” button.
- Select the “Auction” tab.
- Select the “Auction Participation” box on this page to indicate the entity or individual’s interest in participating in the upcoming auction.
  - If the box already shows a checkmark, it has previously been selected by another account representative. In this case you do not need to make any changes.

For more information on the CITSS, including user guides, visit:

[www.arb.ca.gov/citss](http://www.arb.ca.gov/citss). For CITSS support, please contact the CITSS Help Desk at: [help@wci-citss.org](mailto:help@wci-citss.org) or by phone at: 1-866-682-7561.

#### 6. **How does a person obtain an account in the Auction Platform?**

First, an entity or individual must have an approved CITSS account and select the Auction Participation box in the CITSS. During an auction or reserve sale application period, the CITSS will transfer the account information for each of these entities to the Auction Administrator. The first time an individual is identified as a PAR or an AAR on any entity or individual’s CITSS account and the account information is transferred to the Auction Administrator, that individual will receive an activation email with directions and access to activate their Auction Platform account. The person must select the activation link in the email received and establish a password and security questions to activate an account. Once activated, the account is established and will not need to be activated again for subsequent auctions or reserve sales or if that individual is associated with additional entities.

#### 7. **Are the User ID and Password used to access the CITSS the same as the ID and Password for the Auction Platform?**

No, the CITSS and the Auction Platform are separate systems and will each have their own unique IDs and passwords. In the CITSS, the username and password are self-selected. In the Auction Platform, an individual’s user name is the email registered in the CITSS and the password is self-selected.

**8. How long will it take for ARB to transfer allowances issued through an auction into a CITSS account?**

Once financial settlement following each auction or reserve sale is complete, ARB will transfer the number of allowances purchased into each winning bidder's CITSS account. For each auction and reserve sale, the anticipated date for distribution of allowances is listed in the Auction or Reserve Sale Notice.

**9. What requirements or plans are in place to ensure security and business continuity for the Auction Platform?**

The Auction Administrator must comply with the security processes, practices and requirements specified in the State of California's State Administrative Manual and provide services in conformance with industry standards and best practices for hardware, software, and network security, commensurate with the sensitivity of the application and data. The Auction Administrator has prepared a System Security Plan describing the security approach for all proposed services that includes:

- general information about system environment, interconnections/information sharing, applicable laws or regulations, information sensitivity, responsible parties, general system description;
- security controls pertaining to risk assessment and management, user rules or behavior, implementation phase, operation and maintenance phase;
- operational controls pertaining to personnel security, physical and environmental protection, input/ output controls, contingency plans, maintenance, integrity, documentation, training, incident response;
- technical controls pertaining to user identification and authentication, logical access controls, audit trails; and
- security vulnerability assessments and penetration testing.

**10. Who is eligible to participate in reserve sales?**

Reserve sales are open only to covered entities and opt-in entities with active compliance accounts.

**11. When will Reserve Sales be conducted?**

Reserve sales will be scheduled for the first business day six weeks after each scheduled quarterly allowance auction. Additional information on each reserve sale is provided in the Reserve Sale Notice which is posted four (4) weeks prior to each reserve sale on the ARB Auction Information webpage at:

[www.arb.ca.gov/auction](http://www.arb.ca.gov/auction).

**12. How does an entity participate in reserve sales?**

The process for a covered or opt-in entity to participate in a reserve sale is similar to the process to participate in an auction. The entity must have an approved account in the CITSS and the PAR or an AAR for the entity must select or have previously selected the Auction Participation box in the CITSS to indicate interest to participate in an upcoming reserve sale. **This box must remain selected prior to every auction or reserve sale an entity wants to participate**

**in.** Once selected, the box will remain selected until a PAR or an AAR removes the selection.

If an entity has not previously participated in an auction or a reserve sale, that entity must complete an application through the Auction Platform. If the entity has been approved for either an auction or reserve sale previously, an entity representative must confirm the entity's intent to bid in the reserve sale through the Auction Platform. Reserve sale participants must also submit a bid guarantee at least twelve (12) days before the scheduled reserve sale.

**13. How long will it take for ARB to transfer allowances issued through a reserve sale into an entity's CITSS Compliance Account?**

Once financial settlement following each reserve sale is complete, ARB will transfer the number of allowances purchased into each winning bidder's CITSS Compliance Account. For each reserve sale, the anticipated date for distribution of allowances is listed in the Reserve Sale Notice.

**14. Who will provide support services for questions regarding auctions, reserve sales, and financial services?**

The Auction Administrator, Markit North America, will provide primary support services for all aspects of auction and reserve sales. The Auction Administrator can be reached at [auctionsupport@markit.com](mailto:auctionsupport@markit.com) or 1(877) 762-7548.

The Financial Services Administrator, Deutsche Bank, will provide primary support services for all financial services aspects of auction and reserve sales. The Financial Services Administrator can be reached at [CAARB.inbox@db.com](mailto:CAARB.inbox@db.com) or (212) 250-6645.

### **Bid Guarantee Process**

To participate in any auction or reserve sale, participants must submit a bid guarantee to the Financial Services Administrator.

**1. Will a bid guarantee need to be provided for each auction and reserve sale?**

Yes, auction and reserve sale participants must provide a separate bid guarantee to the Financial Services Administrator at least twelve (12) days prior to each auction or reserve sale. The bid guarantee submitted by any entity registered with California must be in U.S. dollars. During the application or confirmation of intent to bid process for each auction or reserve sale, participants must indicate the form of bid guarantees that will be submitted. Bid guarantee instruments must be submitted in one or a combination of the following forms:

- Cash in the form of a wire transfer or certified funds such as a bank check or cashier's check.
- An irrevocable letter of credit issued by a financial institution with a United States banking license.
- A bank bond issued by a financial institution with a United States banking license.

**2. What is the process for posting the bid guarantees required from all bidders prior to each auction or reserve sale?**

Details related to financial services, including the posting of bid guarantees, will be provided in the Auction Notice that will be issued no later than sixty (60) days prior to each auction or the Reserve Sale Notice issued no later than four (4) weeks prior to each reserve sale. Additional information will be provided to each entity after the auction or reserve sale application or confirmation of intent to bid submitted in the Auction Platform has been reviewed and the entity's financial services account has been established by the Financial Services Administrator.

**3. Will the posting of bid guarantees required from all bidders prior to an auction or reserve sale be managed through the CITSS?**

No, the posting of bid guarantees will not be managed through the CITSS. In completing the steps necessary to participate in an auction or reserve sale, an account will be established for you with the Financial Services Administrator, Deutsche Bank, for the submission of your bid guarantee.

After the Financial Services Provider, Deutsche Bank, has established an account for each entity, the entity will receive instructions for submitting the bid guarantee. The receipt and posting of bid guarantees will be managed by Deutsche Bank through their secure processes. The relationship between you and Deutsche Bank in terms of this account and any bid guarantee submitted is subject to the relevant U.S. banking laws.

**4. What is the deadline to post a bid guarantee for an auction or reserve sale?**

Per the Regulation, bid guarantees must be provided to the Financial Services Administrator no later than twelve (12) days prior to the start of an auction or reserve sale. Specific requirements for the delivery of bid guarantees including the due date and time of day requirements will be provided in the Auction Notice that will be released no later than sixty (60) days prior to each auction or the Reserve Sale Notice issued no later than four (4) weeks prior to each reserve sale. Further directions will also be provided to each participant based on the type of bid guarantee selected during the application or confirmation of intent to bid process.

**5. Can an auction participant submit one bid guarantee for bids in both the current and advance auctions?**

Yes, an auction participant submits a single bid guarantee instrument to cover bids in both the current and advance auctions. The Auction Administrator will apply the value of the bid guarantee to the current auction first, with the remaining value used to determine acceptance of bids in the advance auction.

**6. Will bid guarantees be held in an interest bearing account?**

No, all bid guarantees submitted in cash will be held in a non-interest bearing trust account.

**7. When will bidders receive notice of the results of an auction or reserve sale and any amounts owed?**

After an auction or reserve sale has been certified by the ARB Executive Officer, public results will be posted on the ARB website. The date for posting of the results is provided in the Auction Notice or Reserve Sale Notice. Following the posting of the public results, each bidder will be notified by email of the availability of their auction or reserve sale results including the number of allowances purchased and amounts owed. The results are available through the Auction Platform and the email notification constitutes receipt of a settlement invoice for the amount owed.

**8. When will winning bidders communicate the manner in which they choose to financially settle amounts owed from successful bids (e.g. draw on bid guarantee or cash settlement)?**

All financial settlements will be made in cash within seven (7) days of receipt of the email notification that results are available. If an entity fails to make cash payment within seven (7) days after receiving notification of auction or reserve sale results, the bid guarantee will be used to cover payment for allowance purchases.

**9. When will bid guarantees posted for an auction or reserve sale be returned to participants, if applicable?**

When completing the application or confirmation of intent to bid process for any auction or reserve sale, each applicant must provide instructions to Deutsche Bank on where to return any unused bid guarantee remaining after an auction or reserve sale. The return instructions are specific to the form of bid guarantee provided. The Auction Platform will generate forms to assist in providing bid guarantee return instructions. The participant should include any additional details that their bank requires to direct the credit of funds being sent back to their account after the auction or reserve sale.

For non-winning bidders, all bid guarantees will be returned within three (3) business days after the auction or reserve sale is certified by the ARB Executive Officer. For winning bidders, any unused bid guarantees will be returned to the auction or reserve sale participants after all invoices have been settled. ARB expects this to occur within twelve (12) business days after certification of the auction or reserve sale. All bid guarantee instruments in the form of letters of credit or bank bonds will be sent directly to the participant based on the delivery instructions specified during the auction or reserve sale application or confirmation of intent to bid process. Unused cash guarantees will be returned via a wire transfer based on the delivery instructions specified during the auction or reserve sale application or confirmation of intent to bid process.

**10. What are an entity's assurances that a bid guarantee will be returned?**

The relationship between each entity and Deutsche Bank in terms of the bid guarantee account established and any bid guarantee submitted is subject to the relevant U.S. banking laws.

**11. What are an entity's assurances that allowances won and paid for during an auction or reserve sale will be issued to their CITSS account?**

As provided in the Regulation, ARB conducts the transfer of allowances after an auction or reserve sale. Once financial settlement following any auction or reserve sale is complete, ARB will transfer the number of allowances purchased into each winning bidder's CITSS Holding Account, and/or Compliance Account, as appropriate.