



Air Resources Board



Matthew Rodriguez
Secretary for
Environmental Protection

Mary D. Nichols, Chairman
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov

Edmund G. Brown Jr.
Governor

Reserve Sale Notice **California Cap-and-Trade Program** **Sale of Greenhouse Gas Allowances from the** **Allowance Price Containment Reserve** **on April 1, 2015** **Issued on March 2, 2015**

Reserve Sale Summary

This document, Reserve Sale Notice for the California Cap-and-Trade Program Sale of Greenhouse Gas Allowances from the Allowance Price Containment Reserve on April 1, 2015 (Reserve Sale Notice), is the official notification for the April 1, 2015, greenhouse gas (GHG) allowance reserve sale (April 2015 Reserve Sale). The April 2015 Reserve Sale will offer allowances from the Allowance Price Containment Reserve (APCR) for sale in three fixed-price, equal-sized tiers. In the Auction and Reserve Sale Platform (Auction Platform),¹ the April 2015 Reserve Sale is identified by the title April 2015 Reserve Sale 9.

The April 2015 Reserve Sale is scheduled to take place from 10:00 AM Pacific Time (PT) until 1:00 PM PT. This Reserve Sale Notice provides information about eligibility, reserve sale format, and APCR allowances offered for sale.

APCR Allowances Offered in the April 2015 Reserve Sale

The number of APCR allowances that will be available for sale during the April 2015 Reserve Sale is provided in Table 1.

Table 1: APCR Allowances Offered in the April 2015 Reserve Sale

| Sale | Number of APCR Allowances |
|--------------------------------|----------------------------------|
| Tier 1 - \$45.20 per allowance | 40,611,000 |
| Tier 2 - \$50.86 per allowance | 40,611,000 |
| Tier 3 - \$56.51 per allowance | 40,611,000 |

¹ For simplicity, the Auction and Reserve Sale Platform is referred to as the Auction Platform in all notices regarding auctions and reserve sales.

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

Attachment A to this Reserve Sale Notice includes the detailed requirements and instructions for participating in a reserve sale. Attachment B to this Reserve Sale Notice provides information and examples of how to determine the amount of a bid guarantee, how holding limits are applied, and examples of how reserve sales are settled. Attachment A and Attachment B are available from the ARB Auction Information webpage at www.arb.ca.gov/auction.

General Terms Used in Reserve Sale Notice and Attachments

For the purpose of this Reserve Sale Notice and attachments, the following general terms are used to describe systems used and potential reserve sale participants:

- “Entity” refers to a person, firm, association, organization, partnership, business trust, corporation, limited liability company, company, or government agency.
- “Auction Platform” refers to the electronic platform through which auctions and reserve sales are conducted, which can be accessed at <https://www.wci-auction.org>.

I. Reserve Sale Eligibility

California covered entities and opt-in covered entities are eligible to participate in the April 2015 Reserve Sale.

II. Reserve Sale Schedule

Table 2 presents the current schedule for activities associated with the April 2015 Reserve Sale (Reserve Sale Schedule). Any changes to the Reserve Sale Schedule will be communicated through an updated Reserve Sale Notice and by email to the Primary Account Representatives (PARs) and Alternate Account Representatives (AARs) of California Compliance Instrument Tracking System Service (CITSS) registered covered entities and opt-in covered entities who have indicated an interest in participating in auctions or reserve sales by selecting the “Auction Participation” box in CITSS.

Table 2: Reserve Sale Schedule

| Activities | Due Date | Time - Pacific Time (PT) |
|--|--------------------------|---------------------------------|
| Reserve Sale Notice released/ Reserve sale application period opens | Monday, March 2, 2015 | 12:00 PM (Noon) PT |

| Activities | Due Date | Time - Pacific Time (PT) |
|--|-----------------------------|--|
| Deadline for entities to make changes in auction application information listed in Section 95912(d)(4) and submit all hard copy documents accompanying these changes | Thursday, March 12, 2015 | 11:59 PM PT |
| Reserve sale application period closes | Thursday, March 12, 2015 | 11:59 PM PT |
| All bid guarantees due to Financial Services Administrator | Friday, March 20, 2015 | No later than 3:00 PM PT |
| Reserve sale participants approved and PAR and AARs notified | Monday, March 30, 2015 | |
| Reserve sale held | Wednesday, April 1, 2015 | Bidding window open 10:00 AM – 1:00 PM PT |
| Public Reserve Sale Results released | Monday, April 6, 2015 | 12:00 PM (Noon) PT |
| Reserve sale certified Reserve sale results available to qualified bidders | Monday, April 6, 2015 | 12:00 PM (Noon) PT |
| Financial settlement in cash due to Financial Services Administrator | Monday, April 13, 2015 | No later than 3:00 PM PT |
| Transfer of APCR allowances into CITSS Compliance Accounts | Tuesday, April 21, 2015 | 12:00 PM (Noon) PT |
| Earliest date for bid guarantee expiration | Monday, April 27, 2015 | |

III. Administrative Requirements to Participate in a Reserve Sale

Administrative requirements to participate in a reserve sale are outlined below.

A. Compliance Instrument Tracking System Service (CITSS) Account

An entity must have an approved account in CITSS before applying to participate in a reserve sale. Additionally, individuals must be approved as either the PAR or an AAR on the entity's account in order to submit an application for the entity, and/or bid on behalf of the entity. Potential applicants' CITSS accounts must accurately reflect all required registration information, including a report of corporate associations.

Select the "Auction Participation" box in CITSS

Additionally, to participate in a reserve sale, the PAR or an AAR must select the "Auction Participation" box in CITSS to allow CITSS account information to be

transferred to the Auction and Reserve Sale Administrator (Auction Administrator)² and Financial Services Administrator. Additional information about administrative requirements and reserve sale participation is provided in Attachment A of this Reserve Sale Notice, available from the ARB Auction Information webpage.

NOTE: The box in CITSS which is selected to indicate participation in either an upcoming auction or reserve sale is labeled “Auction Participation” box.

B. PAR/AAR Auction Platform Accounts

Any PAR or AAR authorized by an entity to act on its behalf in a reserve sale must have an active Auction Platform account. Only those representatives with an active Auction Platform account will be able to access the Auction Platform to submit an application for the entity, submit bids on behalf of the entity during an open bidding window, or download reports specific to the reserve sale.

Auction Platform Account Activation

During the application period for each reserve sale, an entity's and its representatives' information is transferred to the Auction Administrator for entities that have selected the “Auction Participation” box in CITSS. Representatives that have not previously been indicated as a PAR or AAR on any CITSS account with the “Auction Participation” box selected are sent an email inviting them to activate their Auction Platform account. If a representative does not create an Auction Platform account before the new user activation link expires, the representative will need to contact the Auction Administrator to send a new link. However, if an individual has previously activated his or her Auction Platform account, that individual will be able to access the Auction Platform using the established credentials.

Procedures for Conducting the Reserve Sale

Each quarterly reserve sale will be conducted using an electronic, internet-based Auction Platform that bidders use to apply to participate in a reserve sale and submit bids.

After applying to participate in a reserve sale an entity must submit a bid guarantee. This is completed after an entity receives a notice that a Financial Services Account has been established or verified and the entity's PAR or AAR downloads the Financial Services Delivery Instructions. After a bid guarantee is submitted, within two (2) business days of the date of the reserve sale, an entity will receive a notice if its

² For simplicity, the Auction and Reserve Sale Administrator is referred to as the Auction Administrator in all notices regarding auctions and reserve sales.

application to participate in the reserve sale was approved or rejected.

Bid quantities can only be submitted in multiples of 1,000 APCR allowances. Bids must be submitted in one of the three tiers, each has a set tier price. Bid schedules that include bids for APCR allowances from more than one tier will be allowed.

Sales from each tier will be conducted in succession, beginning with the lowest-priced tier and proceeding to the highest-priced tier, until either all available APCR allowances are sold or all the accepted bids are filled.

Bidders submit a single bid guarantee for all reserve sale tiers. The entity's total cost for allowances awarded in Tier 1 will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to Tier 2. The entity's total cost for allowances awarded in Tier 1 and Tier 2 will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to Tier 3.

Examples of how reserve sales are settled are provided in Attachment B of this Reserve Sale Notice, available from the ARB Auction Information webpage.

Form and Manner for Submitting Bids

The April 2015 Reserve Sale includes the opening of the 3-hour bidding window in the Auction Platform at 10:00 AM PT and the closing of the window at 1:00 PM PT on April 1, 2015. Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the 3-hour bidding window. Additional information on submitting bids is included in Attachment A of this Reserve Sale Notice.

Notification that Reserve Sale Will Not Be Held

If there are no qualified applicants or qualified bidders for any scheduled reserve sale, that reserve sale will not be held. The determination not to hold a reserve sale can be made by ARB at the close of the application period, at the due date for submittal of bid guarantees, or at the deadline for ARB approval of participants which is scheduled to occur two (2) days prior to each reserve sale. If a reserve sale will not be held, ARB will post a notification on the ARB Auction Information webpage no later than two (2) days prior to the scheduled reserve sale.

Financial Settlement

Entities will complete the financial settlement process with the Financial Services Administrator for all APCR allowances purchased in a reserve sale once the reserve

sale is certified. Financial settlement must be completed in cash.

The PAR and all AARs of each qualified bidder will receive notification of the availability of the entity's reserve sale results after certification of the reserve sale as provided in the Reserve Sale Schedule. For those entities that submitted cash bid guarantees, the Financial Services Administrator will apply the cash submitted to settle for any amounts owed. For winning bidders that submitted physical bid guarantees (Letter of Credit or bond), the entity must complete financial settlement in cash within seven (7) days of certification of the reserve sale and availability of the entity's reserve sale results. The deadline for receiving payment by wire transfer is listed in the Reserve Sale Schedule.

The Financial Services Administrator will draw down the physical bid guarantee submitted to cover payment for APCR allowances purchased by any entity that fails to make cash payment within seven (7) days of certification of the reserve sale.

Reserve Sale Participant Training Materials

Reserve sale participant training materials are available on the ARB Auction Information webpage including descriptions of the following:

- reserve sale format, application process, procedures, and requirements,
- how to apply for a reserve sale and submit bids in the Auction Platform, and
- how to submit a bid guarantee.

Contact Information

For further information about participation in the April 2015 Reserve Sale, please contact one of the following individuals:

Ms. Natalie Lee
California Air Resources Board
nlee@arb.ca.gov
(916) 324-0230

Ms. Amy Ng
California Air Resources Board
ang@arb.ca.gov
(916) 445-3865