

Detailed Auction Requirements and Instructions

Washington Cap-and-Invest Program Auction of
Greenhouse Gas Allowances

Updated: February 2023

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Introduction

Background

The Climate Commitment Act (CCA) caps and reduces greenhouse gas (GHG) emissions from Washington's largest emitting sources and industries, allowing businesses to find the most efficient path to lower carbon emissions. This powerful program works alongside other critical climate policies to help Washington achieve its commitment to reducing GHG emissions by 95% by 2050.

The CCA also puts environmental justice and equity at the center of climate policy, making sure that communities that bear the greatest burdens from air pollution today see cleaner, healthier air as the state cuts greenhouse gases. Finally, funds from the auction of emission allowances will support new investments in climate resiliency programs, clean transportation, and addressing health disparities across the state.

The cap-and-invest program sets a limit, or cap, on overall carbon emissions in the state and requires businesses to obtain allowances equal to their covered greenhouse gas emissions. These allowances can be obtained through quarterly auctions hosted by Ecology, or bought and sold on a secondary market.

The cap will be reduced incrementally every year to ensure Washington achieves its 2030, 2040, and 2050 emissions-reduction commitments, with fewer emissions allowances offered each year.

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

General Terms Used in Auction Notices and Supporting Documents

For the purpose of the *Auction Notice*, *Detailed Auction Requirements* and Instructions, and [Auction Examples](#) documents, the following general terms are used to describe auction requirements, instructions, and systems used.

| | |
|---|--|
| Account Representatives | Individuals who are designated or authorized to act on behalf of a registered entity. Account Representatives may include a Primary Account Representative (PAR) or an Alternative Account Representative (AAR). |
| Advance Auction | The auction of allowances from a future budget year that is three years subsequent to the current calendar year. |
| Applicant | An entity for which its Primary Account Representative or an Alternate Account Representative has submitted an application in the Compliance Instrument Tracking System Service (CITSS) to participate in an Auction or Reserve Sale. |
| Auction Administrator | The party which provides Auction and Reserve Sale Administrative Services. |
| Auction Notice | The official auction notice that will be released for each auction, notifying the public of the upcoming allowance auction as described in WAC 173-446-310. Release of an Auction Notice marks the beginning of the application period for an auction. |
| Auction Platform | The electronic platform through which allowance Auctions and Reserve Sales are conducted. The Auction Platform can be accessed at https://www.wci-auction.org/ . |
| Auction Floor Price | Lowest price in an auction for which allowance bids will be accepted. Bids below this price will not be accepted (WAC 173-446-335). |
| Auction settlement price | The price for all successful bids at auction. One price for current vintage auction and another price for future vintage auction. |
| Auction Summary Results Report | The official written summary of results of the auction including the auction settlement price, list of qualified bidders, and details regarding allowances sold (WAC 173-446-362). |
| “Bank Transfer” or “Wire Transfer” | An electronic funds transfer, generally in the context of a bid guarantee sent to the Financial Services Administrator or returned from the Financial Services Administrator. For simplicity, this document uses the term wire transfer. |

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| Bid Guarantee | Cash, letter of credit, or bond. Used to determine auction bidding limitations.(WAC 173-446-325) |
| Bid Price | The price offered for an emission allowance. |
| Business Relationship | All entities with an “indirect corporate association” that meet the indicia of control in WAC 173-446-105(4) |
| Entity | All entities registered under the Washington cap-and-invest program: Covered Entities, Opt-in Covered Entities, and General Market Participants as defined in the Washington regulation. |
| CITSS | The Compliance Instrument Tracking System Service, the web-based system used to register entities, track allowances and credits from issuance to retirement, and apply to participate in an auction. |
| Corporate Association Group or “CAG” | Corporate association groups have shared purchase and holding limits across multiple CITSS accounts. (WAC 173-446-105.) |
| Current Auction | The auction of allowances with a vintage year that is from the current or previous calendar years. |
| Financial Services Administrator | Deutsche Bank National Trust Company, the entity contracted by WCI, Inc. To provide Financial Services Administration for Auction and Reserve Sales to Participating Jurisdictions. |
| General Market Participant | A registered entity that is not identified as a covered entity or an opt-in entity that is registered in the program registry and intends to purchase, hold, sell, or voluntarily retire compliance instruments. |
| Holding Account | An account for holding allowances before they are retired for compliance obligation or transferred to another account. |
| Qualified Applicant | An entity that has submitted an application to participate in an Auction or a Reserve Sale and has submitted a bid guarantee that was accepted by the Financial Services Administrator. |
| Qualified Bidder | An entity that has submitted an application to participate in an Auction or Reserve Sale, has submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the Auction or Reserve Sale. |
| Qualified Bids | The bids that remain after a qualified bidder’s submitted bids have been evaluated and reduced to meet all bidding limitations. |

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| Reserve or Allowance Price Containment Reserve (APCR) | An account with allowances available for sale through separate reserve auctions at predefined prices to assist in containing compliance costs for covered and opt-in entities in the event of unanticipated high costs for compliance instruments WAC 173-446-370 |
| Related Entities | All entities with a “direct corporate association” that meet at least one of the indicia of control WAC 173-446-105 (2) |
| Settlement Price | The price announced by ecology at the conclusion of each auction that all successful bidders pay for each allowance. This is also the price to be paid to those entities which consigned allowances to an auction |
| User | An individual who has undergone the process to obtain a valid CITSS User ID |

Dates of 2023 Auctions

Auctions will be hosted quarterly in 2023. Auction notices will be released at least 60 days prior to each auction date. For the latest auction dates and information, [see Ecology's Auctions and Trading webpage](#).

I. Auction Administration

Allowances Offered for Sale

Allowances offered for sale during an auction are issued under the Washington State Climate Commitment Act cap-and-invest program. The number of allowances listed in the Auction Notice for the Current Auction includes the total number of allowances offered for sale by ecology or consigned to auction by electric utilities and natural gas utilities as described in [Chapter 173-446 WAC](#).

The allowances listed for the Current Auction can include allowances that remain unsold from previous undersubscribed Current Auctions. Unsold allowances are returned to auction after two consecutive Current Auctions have resulted in a settlement price above the Auction Floor Price. If state-owned allowances are not sold within 24 months, they are placed into the Emissions Containment Reserve (ECR).

In each of these situations, the vintages may not be the same as the current calendar year, or the allowances may be an allowance type with no vintage. For allowances awarded in the Current Auction, allowances will be transferred to successful bidders' CITSS accounts.

Auction Floor Price

The Auction Floor Price is the minimum price at which allowances offered in the Current Auction and Advance Auction will be sold. Bids submitted with a Bid Price below the Auction Floor Price will not be accepted. The Auction Floor Price for upcoming auctions is announced on the first business day of December each year.

The auction floor price for 2023 shall be \$22.20. The auction floor price for a year after 2023 shall be the auction floor price for the prior calendar year increased annually by five percent plus the rate of inflation as measured by the most recently available 12 months of the consumer price index for all urban consumers as of the first business day in December of the prior year.

Auction Eligibility

The sections below outline the requirements that must be met before an entity is eligible to participate in an auction. The steps required to submit an auction application are discussed in Section III of this document, and described on [Ecology's Auctions Trainings and Resources webpage](#).

Entity CITSS Account

An individual must be an approved CITSS user, an approved account representative of an entity, and have an approved entity account in CITSS in order to submit an application to participate in an auction and/or bid on behalf of an entity.

CITSS Representative and Entity Account Information

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

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

Entities are required to ensure that their account information in CITSS and on file with the registering jurisdiction is up-to-date prior to each event in which the entity intends to participate. Refer to WAC 173-446-315 or current guidance documents for specific deadlines related to ensuring entity information is up to date.

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

If during an auction application period, an entity needs to add, remove, or **change the current account representatives** this should be completed as soon as possible. If any change to entity account representatives is not reflected in CITSS, it may jeopardize the account representatives' ability to represent an entity in an auction.

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

- Enter changes or updates as needed in CITSS. CITSS can be accessed at <https://www.wci-citss.org>.
- Complete and submit any forms required to support the changes entered in CITSS in accordance with regulatory requirements.
- Approval by the jurisdiction Registrar should occur within ten (10) business days of receiving all required electronically-submitted documentation.

Participation by Related Entities

All entities must disclose related entities and business relationships with entities registered under the Washington Cap-and-Invest program.

Entities registered in CITSS must comply with the corporate disclosure requirements specified in Chapter 173-446-050 through -120 WAC.

Any change to an entity's corporate associations required to be disclosed as described in the Washington regulation must be updated within thirty (30) calendar days from the effective date of the changes, or as otherwise specified in Chapter 173-446-120 WAC.

Any entity that wishes to participate in an auction must disclose any changes to information regarding related entities and business relationships required to be disclosed no later than forty (40) days before the auction. Information on related entities must include how the holding limits and purchase limits will be shared among members of a corporate association group, if applicable.

If a registered entity that is not participating in an auction is related to another entity (as a "related entity") that does intend to participate in an auction, then *both entities must disclose any changes to information* regarding related entities and business relationships no later than forty (40) days before the auction. The disclosures should include how the holding limits and purchase limits will be shared among members of the corporate association group.

These disclosure requirements (by all related entities) are a condition of participation for all entities that wish to participate in an auction. Providing incomplete or inaccurate information regarding related entities may cause an entity's auction application to be rejected. Any entity that has an approved CITSS account is eligible to apply for participation in an auction.

Most information related to corporate identity would be submitted in CITSS, while information related to corporate ownership, capital structure of the applicant, the existence of any parent company, subsidiaries and other business relationships, and

allocation of the purchase limit and holding limit among members of a CAG would be submitted using the “Corporate Associations and Structure Form.”

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

Auction Eligibility Information Material Change

An entity may need to change auction eligibility information that is submitted in CITSS. Entities must submit an auction application at least thirty (30) days prior to each auction.

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

II. Auction Application

Submittal of Auction Application

This section outlines the steps for submitting an application to participate in an auction. For each auction, the auction application period starts at least sixty (60) days prior to the auction with the release of the Auction Notice and ends no later than thirty (30) days prior to the auction. The due date for submitting an auction application in CITSS is the date and time the auction application period closes as set out in the Auction Schedule provided in the Auction Notice available from the jurisdiction webpages. Auction application information is retained in CITSS once an entity becomes a qualified bidder for an Auction or Reserve Sale.

For each auction, one CITSS entity account representative initiates, completes and submits the entity's auction application in CITSS. Entities must complete and submit auction application information at least thirty (30) days prior to each auction in which they wish to participate.

In CITSS, entity representatives can create auction applications and view existing auction applications by using the buttons in the "Initiate Event Participation" section of the Auction tab. For more details on how to access the Auction tab in CITSS or to initiate auction applications, please see the [Ecology's Trainings and Resources webpage](#) for further documentation or refer to the [Auction Participant Training presentation slides](#).

Auction Application Process (more details below):

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

Select the Event in Which the Entity Intends to Bid

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

Provide Information on the Bid Guarantee Form, Currency, and Return Instructions

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

specific to the jurisdiction in which the Entity is registered.

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

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

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

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

When a cash bid guarantee is provided, unused cash on deposit will be returned via wire transfer. Cash bid guarantee return instructions require the following information:

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

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

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

been received.

Physical bid guarantee instruments delivered to the FSA in hard copy form will be returned via overnight delivery, and therefore must be returned to a physical address. The return instructions require the following information:

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

Electronic bid guarantee instruments delivered to the FSA by email will be returned by the FSA by replying to the email to which the bid guarantee instrument was attached.

The account representative must also select the currency in which the bid guarantee will be submitted. Entities registered in the Washington cap-and-invest program must only select USD.

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

Complete the Attestation Response in CITSS and Submit the Auction Application

Complete Attestation Response

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

The Washington cap and invest regulation requires registered entities to apply to Ecology before bidding in an auction. To apply to bid in an auction, each registered entity must submit to Ecology updates to information related to corporate associations, account representatives, and account viewing agents no later than 40 calendar days before the day of the auction. **Has your registered entity submitted updated information to Ecology?**

Details regarding Yes or No responses are included on the CITSS page and replicated below.

Select "Yes" to this Attestation Response to indicate (1) that the representative understands the requirements of the Climate Commitment Act and WAC 173-446, and (2) attest that the entity has submitted updated information to Ecology by the deadline to apply to participate in this auction.

Select "No" to this Attestation Response to indicate (1) that the representative understands the requirements of the Climate Commitment Act and WAC 173-446, and (2) attest that the entity has no updates to information related to corporate associations, account representatives, and account viewing agents since the most recent user or account registration, or auction application was submitted.

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

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

Submit the Auction Application

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

Receipt of Auction Application

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

Editing an Auction Application

Auction applications can be edited before the auction application period has closed. For more details on how to edit an event application, refer to the CITSS user guides and reference material available from [Ecology's auctions trainings and resources webpage](#).

Editing Bid Guarantee Return Instructions

Bid guarantee return instructions can be edited before or after the application period has closed. For more information on how to edit the bid guarantee return instructions, refer to the CITSS user guides and reference material available from Participating Jurisdiction CITSS webpages.

Cancelling an Auction Application

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

III. Submit a Bid Guarantee

Bid Guarantee Requirements and Use

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

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

The amount of the bid guarantee provided to the Financial Services Administrator will be used to set applicant bidding limitations in the auction. The amount of the bid guarantee must be greater than or equal to the applicant's maximum bid value (i.e., maximum value of the bids the applicant intends to submit during the event). Auction bid evaluations and settlement price determinations (including bid assessments, the settlement price, and the cost of all allowances awarded) is conducted in USD. To determine the bid guarantee amount to provide, examples are provided in the [Auction Examples](#) document available from the jurisdiction webpages. These are only examples; applicants are responsible for doing their own calculations to determine the amount of bid guarantee to submit.

Bid Guarantee Submittal Process

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

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

This section of the document is meant to be an instructional guide demonstrating the process to submit bid guarantees. To ensure contact information below is correct and up to date, confirm these instructions by logging in through the CITSS platform.

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

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

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

An individual registered as a General Market Participant - Individual in the Washington cap-and-invest program that is applying to participate in an auction will be required to submit additional documentation to the Financial Services Administrator for the purpose of establishing or verifying the Financial Services Account. The Financial Services Administrator will contact the account holder to obtain any required information.

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

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

Download Financial Services Delivery Instructions

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

To access an applicant's Financial Services Delivery Instructions, an account representative must complete the following steps:

1. Log in to CITSS
2. Click the name the account from the "My Accounts" section
3. On the next screen, click the "Auctions" tab
4. Within the Auctions tab, click the "View Event Applications" button in the Initiate Event Participation section
5. Find the current auction event and click the "Applicant" link in the "Application Status" column of the table at the bottom of the page.
6. Select the "Generate Financial Services Instructions" button on the Event Application Detail page to access the Auction and Reserve Sale Financial Services Delivery Instructions page.

Submit a Bid Guarantee to the Financial Services Administrator

Washington auction applicants must submit a bid guarantee in USD to the Financial Services Administrator.

Requirements for Submitting a Cash Bid Guarantee (Wire Transfer)

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

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

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

In order for the Financial Services Administrator to receive the funds by the deadline for receipt of bid guarantees, **it is very important that the cash wire transfer details are set up exactly as provided in the applicant's Financial Services Delivery Instructions.** Also note that if the instructions are incomplete or inaccurate, the Financial Services Administrator may not receive the cash wire.

The funds may also be retained by an intermediary bank due to the lack of accurate information in the wiring instructions. **If funds are not received by the Financial Services Administrator by the deadline date and time as listed in the Auction Schedule provided in the Auction Notice, approval to participate in the auction will be denied.**

Instructions for Wiring USD

For applicants that are participating in USD and using a U.S. financial institution, Fedwire transfer details must include the information described in Table 2. All entities participating in Washington’s Cap-and-Invest program must use USD currency.

Table 2: Instructions for bid guarantee USD cash wire transfers

| Field Name | Field Content |
|---|--|
| Bank Name ⁶ : | Deutsche Bank Trust Company Americas |
| Routing Number: | Provided in the Financial Services Delivery Instructions, available in CITSS |
| SWIFT/Bank Identifier Code (for Financial institutions outside US): | Provided in the Financial Services Delivery Instructions, available in CITSS |
| Address | 4 Albany Street, 5 th Floor New York, NY 10006, USA |
| DDA Number: | Provided in the Financial Services Delivery Instructions, available in CITSS |
| Beneficiary: | Trust And Agency Services |
| Payment Details: | WCI Auction⁷ and Financial Services Account Name , as provided in the Financial Services Delivery Instructions, available in CITSS |
| Port: | Applicant’s Financial Services Account Number , as provided in the Financial Services Delivery Instructions, available in CITSS |

⁶ Receiving Bank Name must be entered exactly as shown for a USD cash wire transfer.

⁷ WCI Auction is how the Financial Services Administrator refers to the auction. WCI refers to the Western Climate Initiative, Inc.

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

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

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

Instructions for Wiring Internationally

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

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

Cash wire transfers that are returned by the Financial Services Administrator to an applicant due to an error or incomplete wire transfer details may result in a returned wire fee, which would be reflected in the wire amount returned to the applicant. A returned wire fee is not an auction fee and is not received by the State of Washington. A returned wire fee is a common banking transaction fee not related to the Washington cap-and-invest program or the auction process.

Requirements for Submitting a Bid Guarantee Instrument (LOC or Bond)

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

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

Auction and Reserve Sale Financial Services Administrator c/o
Deutsche Bank Trust Company Americas; Attn: Tai Bill Lee
1 Columbus Circle, 17th Floor
Mailstop: NYC01-1710
New York, NY 10019 Phone:
(212) 250-3018
Email: db.wcisupport@db.com

“**Deutsche Bank Trust Company Americas**” is the institution name required for receipt of USD funds via cash wire transfer and delivery of physical bid guarantees, while “**Deutsche Bank National Trust Company, DBTCA for DBNTC as FSA for WCI, Inc.**” is used as the Beneficiary Bank Name provided for a bid guarantee instrument.

Applicants submitting physical bid guarantees should note the different names and ensure that both the Beneficiary Bank Name and the institution name included in the mailing address are correct. Refer to the Financial Services Delivery Instructions available in CITSS for complete information. In the event of conflicting information, the information in this guide will defer to the information provided in the CITSS platform.

Electronic bid guarantee instruments that are consistent with U.S. banking laws and the practices of the issuing bank may be submitted by email to the Financial Services Administrator:

The issuing bank must include the following statement in the email to which the electronic PDF version is attached:

*“This [**Letter of Credit or Bond**] signed by the issuing bank is legally valid and enforceable. The issuing bank is transmitting this [**Letter of Credit or Bond**] to the beneficiary by electronic transmission (PDF via email) to DB.WCISUPPORT@DB.COM. For the avoidance of doubt, any electronic PDF version of this [**Letter of Credit or Bond**] received by the beneficiary shall be the operative instrument and may be used by the beneficiary as it would a hardcopy original. The beneficiary is able to submit a draw request on the operative instrument. In addition, when applicable, the beneficiary will reply to all addressees on this email to confirm cancellation of the electronic operative instrument. The Reply email will serve as the return of the bid guarantee.”*

The issuing bank should copy bank representatives that will cancel the electronic bid guarantee as instructed by the beneficiary. DBNTC will cancel the electronic operative instrument by replying to the email to which the electronic bid guarantee

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

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

Ecology strongly encourages entities do the following:

- Submit a sample LOC or bond to the Financial Services Administrator for review;
- Submit final documents early enough to provide time for amendment, if needed;
- Submit final physical documents via overnight delivery and retain a tracking number;
- Provide contact information for the issuing bank in the event that a draw on the bid guarantee instrument is required to complete financial settlement for allowances awarded; and,
- Confirm receipt of bid guarantees with the Financial Services Administrator.

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

Requirements for Submitting a Letter of Credit (LOC)

Washington auction applicants may submit bid guarantees in the form of a Letter of Credit (LOC). A LOC submitted as a bid guarantee must be in a form that may be accepted by the Financial Services Administrator consistent with U.S. banking laws and bank practices.

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

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

**Deutsche Bank National Trust Company, DBTCA
for DBNTC as FSA for WCI, Inc.**

**1 Columbus Circle, 17th Floor
Mailstop: NYC01-1710
New York, NY 10019**

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

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

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

Requirements for Submitting a Bond

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

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

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

**Deutsche Bank National Trust Company, DBTCA
for DBNTC as FSA for WCI, Inc.**

**1 Columbus Circle, 17th Floor
Mailstop: NYC01-1710
New York, NY 10019**
- The party named as "Principal" in the bond must be identical to that named in the applicant's application.
- The expiration date must be at least twenty-six (26) days after the scheduled auction day.
- The amount of the bond must be included.
- There must be instructions included indicating where to submit the bond for payment.
- There must be a payment certificate/form of draw included as an exhibit or annex to the bond.
- The bond must allow for presentment by Fax (delivery in person or by courier cannot be required).
- The bond must be payable within three (3) business days.
- There must be a draw cut off time of no earlier than 9:00 AM Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.

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

Receipt of Bid Guarantee

An applicant's account representatives will receive an email from CITSS with the subject line "CITSS Event Financial Services Information Update" when there is an update to the applicant's financial services account number or bid guarantee information. For information on any updates, including if the Financial Services Administrator has accepted a bid guarantee, an account representative can log in to CITSS to confirm the current auction application status. Once a bid guarantee has been accepted by the Financial Services Administrator, the application status for the entity will change from "Applicant" to "Qualified Applicant." Additionally, the Bidding Limitation Data section of the Event Application Detail page in CITSS will display the Total Bid Guarantee amount recorded by the Financial Services Administrator. If no bid guarantee that meets the requirements is received by the deadline date and time listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

Bid Guarantee Revision Process

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

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

- The applicant will be notified by the Financial Services Administrator of the need for revision.
- The applicant should contact the financial institution that issued the bid guarantee instrument and request an amendment.
- The revised bid guarantee must be received by the deadline for receipt of bid guarantees or it will be rejected.

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

Email: db.wcisupport@db.com

Phone: (714) 247-6167 and (212) 250-3018

Bid Guarantee Submittal Summary

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

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

IV. Receive Notice of the Qualified Applicant's Approval to Participate

Jurisdiction staff will review Qualified Applicant's information, CITSS account status, and bid guarantee, and make a determination to approve or deny each entity's participation in the auction. Once Ecology approves or rejects an entity for auction participation, the account representatives for the entity will receive an email confirming approval or denial to participate in the auction. In CITSS, the status of the auction application for the entity will either change from "Qualified Applicant" to "Qualified Bidder" if the entity is approved, or it will change from "Qualified Applicant" to "Rejected" if the auction application is rejected. This is anticipated to occur within two (2) business days before the scheduled auction date. Each entity that has completed an auction application, submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the auction is referred to as a "Qualified Bidder." The reasons for possible denial of an applicant's (or qualified applicants) participation in an auction include, but are not limited to, the following:

- The applicant does not have an active CITSS account.
- The applicant's general account has been revoked or is currently suspended.
- The applicant is not represented by an active account representative.
- The applicant has not provided complete information on corporate associations.
- The applicant has not submitted a bid guarantee to the Financial Services Administrator by the deadline date and time as listed in the Auction Schedule provided in the Auction Notice.
- The applicant has provided false or misleading information in the auction application.

V. Participate in the Auction

All previous steps related to auction application are conducted in CITSS. The following steps, directly related to bidding in an auction and retrieving the auction results, are conducted in the Auction Platform. The Auction Platform can be accessed at <https://www.wci-auction.org> or from the Participating Jurisdictions' and WCI, Inc.'s webpages (see below for account activation info to log into the Auction Platform).

Bids for the Current Auction and Advance Auction will be accepted simultaneously at the date and time identified in the Auction Notice. The auctions will be conducted through the electronic, internet-based Auction Platform using a single round, sealed bid auction format. Bid quantities must be submitted in multiples of 1,000 allowances. Bids for both the Current Auction and Advance Auction will be accepted during the same scheduled 3-hour bidding window.

Access to the Auction Platform

PAR/AAR Auction Platform Accounts

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

Access to the WCI, Inc. Auction Platform is protected. Account Representatives attempting to access the application from a location that differs from the country of their CITSS registration may be unable to connect. Users should confirm access before every auction.

Auction Platform Account Activation

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

User accounts and CITSS entity account representative status information in CITSS and the Auction Platform are automatically reconciled on a daily basis. Active Primary Account Representatives (PAR) and Alternate Account Representatives (AAR) for entities with CITSS accounts that have been qualified bidders to a past Auction or Reserve Sale or that have submitted an application to an upcoming Auction or Reserve Sale are eligible to maintain or establish Auction Platform accounts.

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

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

Account Representatives Associated with Multiple Entities

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

If an individual is an account representative on multiple entity accounts, each time the individual logs in to the Auction Platform he or she will need to select which entity to represent in that session. To submit information for another (different) entity that he or she represents, the individual will be able to select the other entity, without having to logout of the Auction Platform.

Bidding in the Auction

The account representatives of qualified bidders will be able to submit bids on behalf of the qualified bidders they represent. Account representatives will be able to submit bids

manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the scheduled bidding window. The Excel template is not available for download prior to the opening of the bidding window.

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

- Submit a bid which includes the vintage of the allowances, the number of bid lots (1 lot = 1,000 allowances), and the bid price.
 - To bid for allowances in the Current Auction, the bid vintage is selected as “Current.”
 - To bid for allowances in the Advance Auction, the bid vintage is selected as “2026”, for example.
- Enter bid currency in USD.
 - Washington entities must submit bids in USD.
 - If an entity attempts to upload a bid upload spreadsheet with bids in the incorrect currency, the entire spreadsheet will fail to upload to the Auction Platform.
- Enter bid prices in whole cents and bid lots in whole numbers greater than zero.
 - When adding a bid by manual bid entry, Auction Page validations will not accept bid price entry to more than two decimal points, i.e., bid price must be submitted in whole cents. Similarly, Auction Page validation will not accept bid lot entry that is not a whole number greater than zero.
 - When adding bids by uploading a bid upload spreadsheet, validations in the spreadsheet restrict bid price entry to two decimal points, i.e., bid price must be submitted in whole cents. Similarly, validations in the spreadsheet also restrict bid lot entry to whole numbers greater than zero.
 - Do not attempt to copy and paste data from an external spreadsheet into bid upload spreadsheets. Doing so would likely remove built in validations and result in failed uploads.
 - Qualified bidder representatives are responsible to ensure all bid prices submitted are in whole cents. If a representative changes the bid upload spreadsheet, resulting in removal of validations and bid prices uploaded including more than two decimal points, bid prices accepted by the Auction Platform will be rounded to the nearest whole cent.
 - Representatives are encouraged to confirm all bids entered through the bid upload process by viewing the qualified bidder’s bids on the Auction Page or by downloading the Client Bids Audit Report from the reports section of the auction platform.

- Qualified bidders may submit as many bids as they wish during the bidding window.
 - An uploaded Excel spreadsheet may contain a maximum of 1,000 bids.
 - Multiple spreadsheets may be uploaded.
- Edit or withdraw confirmed bids as needed during the bidding window.
 - Once the bidding window has been closed, no further bids may be entered and no changes to bids can be made.
 - Bids, edits, or withdrawal of submitted bids must be complete at the moment the bidding window closes. Actions still in progress at the moment the bidding window closes will not be accepted.

Bidding Limitations

The Washington regulation includes bidding limitations related to the Auction Floor Price, bid guarantee submitted, purchase limits, and holding limits. These bidding limits are described below.

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

Auction Floor Price Bid Limitation

The Auction Floor Price effective during the auction will be posted on the Auction Platform in USD. The Auction Floor Price is the minimum price at which allowances offered in the Current Auction and Advance Auction will be sold. Bids submitted with a bid price below the Auction Floor Price will not be accepted.

Bid Guarantee Bid Limitation

The Washington regulation requires bid guarantees to be greater than or equal to the maximum value of the bids submitted (i.e., maximum bid value). The total value of allowances awarded to a qualified bidder cannot exceed the submitted bid guarantee value. The maximum bid value is determined as follows:

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

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

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

Purchase Limit Bid Limitation

The purchase limit is the maximum number of GHG allowances that may be purchased by an entity or jointly purchased by a group of related entities (Corporate Association Group). The purchase limit will be calculated separately for each entity for the Current Auction and Advance Auction.

Important: No later than 30 calendar days before an auction, all members of a direct corporate association must independently confirm the allocation of holding and purchase limits, by completing the Corporate Associations and Structure Disclosure Form.

The [Auction Examples](#) document provides further detail on how the purchase limit applies to an auction. A high-level overview of the purchase limits that apply to one entity or a group of entities that are related entities for the Current Auction and the Advance Auction are as follows:

- The purchase limit for Covered Entities and Opt-in Covered Entities (or a CAG of which at least one Covered Entity or Opt-in Covered Entity is a member) will be 10 percent of the allowances offered for auction; and
- The purchase limit for General Market Participant (GMP) that is not a member of a CAG is 4 percent of the allowances offered for auction. If a GMP is part of a CAG with one or more Covered Entities and Opt-in Covered Entities, their purchase limit is still bound at 4 percent of the auction.
- See Chapter 173-446-330 WAC for further information on purchase limits.

Entities in a Corporate Associate Group that have separate CITSS accounts must allocate shares of the purchase limit amongst themselves. In CITSS, related entities that have separate CITSS accounts are assigned to a CAG to manage the allocation of shares of the purchase limit amongst members of the CAG. Each related entity will have a specified percentage share of the CAG's purchase limit. The sum of the shares allocated among the CAG members must sum to one (100 percent). All members of a direct corporate association must independently confirm—and report to Ecology in section 3.3 of the Corporate Association Disclosures Form—the allocation of holding and purchase limits.

Each associated entity's allocated purchase limit share multiplied by the auction purchase limit assigned to the CAG becomes the purchase limit for that entity. In CITSS, on the Corporate Associates tab, this is referred to as the Effective Purchase Limit. The Effective Purchase Limit is multiplied by the allowances offered in the Current Auction and Advance Auction to calculate the purchase limit cap specific to each entity. These purchase limit caps will be used to limit the quantity of GHG allowances that may be purchased by each of the related entities (within a CAG).

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

Holding Limit Bid Limitation

The holding limit is the maximum number of GHG allowances that may be held by an entity or jointly held by a group of related entities. There is a separate holding limit for the Current Auction and the Advance Auction. The [Auction Examples](#) document provides further detail on how the holding limit applies to an auction.

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

The holding limit varies depending on the allowance budget for the given year. It does not apply to allowances held in the limited use holding account (LUHA) or for the limited exemption—when applicable—that allows entities to place allowances in excess of the holding limit in their compliance account less than or equal to their outstanding compliance obligation for current or prior emissions years. Finally, general market participants may not hold more than 10 percent of the total allowances of any vintage year.

In an auction, each entity's submitted bids are evaluated to ensure that submitted bids do not exceed the entity's holding limit.

In CITSS, on the Holding Limits tab on the Account Detail page, the Entity Holding Limit is displayed. This tab shows the current number of allowances counted towards these limits (displayed as "Balance") and the remaining number of allowances that may be acquired prior to reaching these limits (displayed as "Available").

A holding limit cap for each qualified bidder will be transmitted from CITSS to the Auction Administrator the day prior to the auction. This cap specifies the number of allowances a qualified bidder may acquire before exceeding its entity holding limit.

The holding limit cap will reflect CITSS account balances and data available in CITSS at approximately 9:00 AM PT / 12:00 PM (Noon) ET the day prior to the auction. After 9:00 AM PT / 12:00 PM (Noon) ET the day prior to the auction, for qualified bidders, the holding limit cap is displayed in CITSS under bidding limitation data on the Event Application Detail page. The holding limit cap transmitted to the Auction Administrator is used solely for the purpose of administration of the holding limit bid limitation in the auction. Any changes to CITSS account balances after the determination of the holding limit cap due to transfers of allowances after 9:00 AM PT/ 12:00 PM (Noon) ET the day prior to the auction will not be reflected in the Auction Platform on the day of the actual auction.

Auction Administrator Application of the Bidding Limitations

Submitted bids that contain bid quantities in excess of the purchase limit, holding limit, or have a maximum bid value in excess of the bid guarantee will be rejected, in bundles of 1,000 allowances, until all bid limitations are met. Only that portion of the bid quantity that exceeds one or more limit will be rejected, not the entire bid quantity. “Qualified bids” are the bids that remain after the submitted bids have been evaluated and reduced to meet all bidding limitations (i.e., qualified bids). Only qualified bids are used in the auction settlement price determination process. Determination of qualified bids occurs after the bidding window has been closed and before the final settlement price determinations are made.

Please refer to the [Auction Examples](#) document for examples on how bidding limitations are applied.

Settlement Price Determination

Auction bid evaluation and settlement price determination will be conducted in USD. All bid assessments, the settlement price, and the cost of all allowances awarded will be determined in USD.

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

The settlement price for the Current Auction is determined first, followed by the determination of the settlement price for the Advance Auction. Qualified bidders submit a

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

The [Auction Examples](#) document provides examples of how auctions are settled.

Auction Conduct

Non-Disclosure of Bidding Information

Pursuant to Chapter 173-446-317 WAC, an entity approved for auction participation shall not release any confidential information related to its auction participation, including:

- Intent to participate, or refrain from participating in an auction.
- Bidding strategy at any auctions, including the specification of an auction settlement price or range of potential auction settlement prices at which an entity is willing to buy or sell allowances.
- Bid price or bid quantity information at past or future auctions.
- Information on the amount of any bid guarantee provided to the Financial Services Administrator.

No party shall coordinate the bidding strategy of more than one auction participant.

If the registered entity has retained a cap and invest consultant or advisor regarding auction bidding strategy, the **registered entity** must:

- Ensure against the consultant or advisor transferring the registered entity's information to other auction participants or coordinating the bidding strategy among participants.
- Inform the consultant or advisor of the prohibition on sharing information with other auction participants and ensure the consultant or advisor has read and acknowledged the prohibition under penalty of perjury.

No later than 15 calendar days before the day of an auction, a cap and invest **consultant or advisor** advising on bidding strategy must provide to ecology the following information: names of the registered entities participating in the cap and invest program that are being advised; description of the advisory services being performed; and assurance under penalty of perjury that the advisor is not transferring to or otherwise sharing information with other auction participants.

WA entities are required to inform Ecology of the retention of a consultant or advisor, including a bidding advisor through their Corporate Associations and Structure Disclosure guide. Any entity that has retained the services of a consultant or advisor must disclose to Ecology, if it is a WA entity, information to identify the consultant or advisor, including name, contact information, physical work address, and employer, if applicable. An account representative of the entity must submit the information required by the Washington Regulation. This can be accomplished using the Corporate Associations and Structure Form, available from on Ecology's [trainings and resources webpage](#). Guidance on Washington's regulatory provision on corporate associations is available in the CITSS Corporate Associations and Structure Disclosure Guide.

Market Monitoring

Washington has contracted with an independent market monitor for the cap-and-invest program. The purpose of the Market Monitor is to monitor, detect, and report issues relating to the operation of the GHG allowance Auctions, Reserve Sales, and secondary markets.

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

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

VI. Auction Results and Certification

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

Public Notification of Auction Results

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

In the event of a delay in posting the Auction Summary Results Report, the jurisdictions will provide notification on its website or through direct communications indicating a new time for the release.

The Auction Summary Results Report will include the following:

- The Current Auction and Advance Auction settlement prices.
- The names of the registered entities who were qualified bidders.
- Details regarding the number of allowances sold, the number of each vintage year of allowances sold, and a description of how the allowances were distributed among entities who qualified for auction (whether they placed bids or not), without identifying which registered entities purchased the allowances.

Notification of Qualified Bidder Auction Results

Following the posting of the public auction results, the jurisdictions will certify the auction in the Auction Platform. Once the auction is certified by jurisdictions in the Auction Platform representatives of qualified bidders will be able to view and download the qualified bidder's auction results in the form of a Financial Statement and Client Bids Report from the Auction Platform. The Financial Statement serves as the financial settlement invoice for the auction and will include the number and total cost of allowances the qualified bidder has been awarded, if any.

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

- Auction Information
 - Settlement Price (Current and Advance)
 - Number of Successful Bids and Successful Bid Allowances (Current and

Advance)

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

The qualified bidder's Client Bid Report available from the Auction Platform will include bid information providing the auction results specific to each submitted bid.

Download all Reports

Immediately following email notification of availability of the qualified bidder's results in the Auction Platform, a qualified bidder's account representative should download and save all Auction Platform reports that are available to a qualified bidder that participated in an auction. The available reports include:

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

As these reports are confidential, they are not available to any parties other than the account representatives with an Active status in CITSS. Active PARs and AARs with Auction Platform accounts have access to reports for all events in which the entity participated, regardless of when the account representative was designated as such by the entity.

VII. Complete Financial Settlement

Financial Settlement Requirements and Outline

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

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

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

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

Cash Settlement

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

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

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

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

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

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

Return of Bid Guarantee

The Financial Services Administrator will return any unused bid guarantees based on the return instructions available in CITSS. Cash will be returned through wire transfer¹¹ and physical bid guarantee instruments in the form of a LOC or bond will be returned directly to the entity through UPS, FedEx or DHL delivery by the Financial Services Administrator. The Financial Services Administrator will send an email to the qualified bidder account representatives in advance of sending back the unused bid guarantee so they can prepare for receipt of funds or physical bid guarantee instruments.

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

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

For successful bidders that provided bid guarantees in the form of a LOC or bond, following receipt of all amounts owed, the Financial Services Administrator will return physical bid guarantee instruments directly to the entity through UPS, FedEx or DHL delivery, based on the return instructions provided during the application process in CITSS. The FSA will return electronic bid guarantee instruments by replying to the email to which the bid guarantee was attached.

VIII. Transfer of Allowances into CITSS Accounts

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

At each auction, consigned allowances shall be sold first. If at the end of an auction, any consigned allowances remain unsold, they shall be retained to be submitted for sale in the subsequent auction.

Future vintage allowances that are unsold at auction, shall be returned to the pool of allowances of their vintage and not be offered for sale until that year.

Allowances remaining unsold at the end of an allowance price containment reserve auction remain in the allowance price containment reserve to be available for sale at the next allowance price containment reserve auction.

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

IX. Public Notification of Auction Proceeds

Once proceeds are transferred to the jurisdiction, Washington will issue a Post Auction Public Proceeds Report, which will provide the final amount of jurisdiction proceeds. The anticipated date for release of the Post Auction Public Proceeds Reports is listed in the Auction Schedule provided in the Auction Notice.

X. Considerations for Entities Consigning Allowances

Ecology allocates allowances into the Limited Use Holding Account (LUHA) of eligible electrical distribution utilities and natural gas suppliers (consigning entities) each year (Chapter 173-446-260 WAC). Entities with Limited Use Holding Accounts may consign allowances to Ecology for sale at the quarterly auctions. Consigning allowances for sale at auction is available only to electric and natural gas utilities. A LUHA is created for each consigning entity, and allowances in a LUHA cannot be transferred among entities until they are sold at an auction. Each consigning entity agrees to accept the auction settlement price for allowances sold at each auction. For each auction, allowances designated for consignment must have been transferred from the entity's Limited Use Holding Account to the Auction Holding Account in CITSS at least seventy-five (75) days before the auction. Any allowances transferred to the Auction Holding Account less than seventy-five (75) days before the scheduled auction will be consigned to the next quarterly auction.

If an entity is only consigning allowances to the auction and does not wish to participate in the auction, the entity's representative still needs to confirm its consignment wiring instructions. Visit [Ecology's trainings and resources webpage](#) for guidance on consigning allowances to auction. Information on the webpage will ensure that the Financial Services Administrator has current wire transfer instructions for the payment of consignment proceeds.

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

Disclaimer

This *Detailed Auction Requirements* document and *Instructions* and the *Auction Examples* document (Auction documents) are based on the requirements set forth in the Climate Commitment Act (CCA), Chapter 70A.65 RCW, and the CCA Program Rule, Chapter 173-446 WAC (collectively referred to as CCA Requirements). If there is any apparent conflict between these documents and the CCA Requirements, the CCA Requirements shall control.