

Detailed Auction Requirements and Instructions

**Ontario Cap and Trade Program Auction of
Greenhouse Gas Allowances**

Issued on January 9, 2017

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I. INTRODUCTION

A. Background

Ontario's *Climate Change Mitigation and Low-carbon Economy Act, 2016* (the Act) requires that greenhouse gas (GHG) emissions be reduced to 15 per cent below 1990 levels by the year 2020, 37 per cent below 1990 levels by 2030, and 80 per cent below 1990 levels by 2050.

Ontario's cap and trade program and the Climate Change Action Plan form the backbone of Ontario's strategy to cut greenhouse gas pollution reduce greenhouse gas emissions in Ontario and help reach our 2020 targets of 15 per cent below 1990 levels. Together they will also set Ontario on a path to achieving its 2030 and 2050 targets.

The Ontario GHG emissions cap and trade program is laid out in the Act and in Ontario Regulation 144/16 "The Cap and Trade Program" (the Regulation) made under the Act. The cap and trade program is administered by the Ministry of the Environment and Climate Change (MOECC).

As part of Ontario's cap and trade program, MOECC holds allowance auctions to allow mandatory, voluntary and market participants to acquire Ontario GHG allowances (allowances). This document includes the detailed requirements and instructions for participating in an Ontario allowance auction.

B. General Terms Used in Auction Notices and Supporting Documents

The Auction Notice, Detailed Auction Requirements and Instructions, and the Auction Examples documents use the following terms:

- "**Advance Auction**" refers to the auction of allowances with a vintage year that is later than the auction year, also known as Auction Class 2 emission allowances in the Regulation.
- "**Approval or rejection of auction participation**" by MOECC refers to the permission or refusal of permission to bid in an auction per section 67 of the Regulation. "**Auction Administrator**" refers to Markit Group Limited, the party contracted by WCI, Inc. to provide Auction and Reserve Sale Administrative Services to WCI, Inc. cap and trade program participating jurisdictions.
- "**Auction Exchange Rate**" refers to the exchange rate used in the Auction Reserve Price determination as described in subsection 71(3) of the Regulation.
- "**Auction Notice**" refers to the official auction notice that will be released for each auction, notifying participants of the upcoming allowance auction as described in section 60 of the

Regulation. Release of an Auction Notice signals the beginning of the application period for that auction.

- “**Auction Platform**” refers to the electronic platform used for allowance auctions.
- “**Auction Reserve Price**” is the minimum price of an allowance in an auction as described in section 71 of the Regulation. Bids submitted with a bid price below the Auction Reserve Price will not be accepted.
- “**Auction Summary Results Report**” refers to the official written summary of the auction as described in section 64 of the Regulation. It will be made available to the public upon MOECC certification of each auction, no later than five (5) business days after the auction is conducted.
- “**Bid Guarantee**” refers to the financial assurance provided by registered participants for the purpose of bidding in an auction, as described in section 61 of the Regulation.
- “**Capped Participants**” refers to all participants with compliance obligations, as well as participants who are eligible to opt-in and have voluntarily opted-in to the program (i.e. registered). Capped Participants include Mandatory Participants as defined in sections 21 to 24 of the Regulation and Voluntary Participants as defined in sections 28 to 31 of the Regulation. Capped Participants are subject to a GHG compliance obligation at the end of the compliance period.
- “**CITSS**” refers to the Compliance Instrument Tracking System Service, the web-based system used to register participants and track allowances and credits from issuance to retirement.
- “**Corporate Association Group**” refers to a group of two or more participants that have business relationship(s) that meet at least one of the indicators of control in subsection 2(2) of the Regulation, meaning generally those with control, ownership or voting power exceeding 50 percent of another participant (such as through more than 50 percent of: voting securities; the same officers or directors; interest in a partnership; etc.). Members of a Corporate Association Group are ‘related persons’ per section 2 (2) of Ontario Regulation 144/16 that are also registered in the cap and trade program.
- “**Current Auction**” refers to the auction of allowances with a vintage year that is the auction year or earlier, also known as Auction Class 1 emission allowances in the Regulation.

- “**Director**” refers to the person who has been appointed as a Director to exercise such powers and perform such duties and functions under the Act as the Minister (MOECC) specifies.
- “**Financial Services Administrator**” refers to Deutsche Bank National Trust Company, the entity contracted by WCI, Inc. to provide Financial Services for Auctions and Reserve Sales to WCI, Inc. cap and trade program participating jurisdictions.
- “**Market Participants**” refers to registered participants that do not have a compliance obligation and that are not an owner, operator, or employee of a Capped Participant and meet the requirements set out in subsection 36(1) (a) or (b).
- “**Participant**” means a person, firm, association, organization, partnership, business trust, corporation, limited liability company, company or government agency that is registered to participate in the Ontario cap and trade program.
- “**Qualified Bidder**” refers to a registered participant that has completed an auction application, submitted a bid guarantee and been approved to participate in the auction.
- “**Qualified Bids**” are the bids that remain after a participant’s submitted bids have been evaluated to meet the bid guarantee limitation, purchase limit and holding limit as described in sections 72 and 73 of the Regulation.
- “**Settlement Price**” is the price that all successful bidders will pay for allowances won regardless of the bid prices of individual participant bids. The settlement price for the Current Auction will be determined separately from the settlement price for the Advance Auction.

II. AUCTION ADMINISTRATION

A. Allowances Offered for Sale

Allowances offered during an auction are created under the Ontario cap and trade program. Allowances may be of current vintage budget year (e.g. 2017) or future vintage budget year (e.g. 2020), where ‘vintage’ refers to the year for which they are created. The auction of allowances from the current budget year (year of the auction) is known as the Current Auction. The auction of future vintage allowances (i.e. allowances created for a year later than the year of the auction) is known as the Advance Auction. Bids for the Current Auction and Advance Auction will be accepted simultaneously at the date and time identified in the Auction Notice.

B. Auction Exchange Rate and Auction Reserve Price

The Auction Reserve Price is the minimum price at which allowances offered in the Current Auction and Advance Auction will be sold. Bids submitted with a bid price below the Auction Reserve Price will not be accepted.

The Ontario Auction Reserve Price will be determined as the higher of the most recently published California or Québec Annual Auction Reserve Prices after applying the exchange rate established for the Ontario auction. The California and Québec Annual Auction Reserve Prices are announced by California and Québec in December of each year to be effective the next calendar year.

The exchange rate established for each auction (Auction Exchange Rate) will be the United States dollar to Canadian dollar exchange rate (USD to CAD) as provided by the Bank of Canada for the day before, or a date as close as possible to, each Ontario auction.

The Auction Reserve Price will be displayed on the Auction Platform prior to the opening of the auction bidding window. Bids in the Ontario allowance auction will only be accepted in Canadian dollars (CAD).

Below is an example of the determination of the Auction Reserve Price based on a hypothetical Auction Exchange Rate.

Based on the 2017 Annual Auction Reserve Prices of \$13.57 USD for California and \$13.56 CAD for Québec, if the exchange rate as published by the Bank of Canada for the day before the auction is 1.1000 (USD to CAD), then the 2017 California Annual Auction Reserve Price of \$13.57 becomes \$14.93 CAD ($\$13.57 \text{ USD} * 1.1000 = \14.927 CAD , which rounds to \$14.93 CAD). The converted 2017 California Annual Auction Reserve Price would therefore become the Ontario Auction Reserve Price because it is higher than the \$13.56 CAD value of the 2017 Québec Annual Auction Reserve Price. The amount shown in bold in Table 1 below reflects the value that would be the Ontario Auction Reserve Price in this example.

Table 1: Example Auction Exchange Rate and Ontario Auction Reserve Price determination

Auction Exchange Rate (USD to CAD)	1.1000
2017 California Annual Auction Reserve Price (USD)	\$13.57 USD
2017 California Annual Auction Reserve Price (CAD value)	\$14.93 CAD
2017 Québec Annual Auction Reserve Price (CAD)	\$13.56 CAD

The Auction Reserve Price presented in bold in Table 1 is NOT the Auction Reserve Price in effect for any Ontario auctions scheduled in 2017. The exchange rate of 1.1000 (USD to CAD) is for example purposes only, and not representative of the actual anticipated exchange rate for any auction. The Auction Exchange Rate and the Auction Reserve Price in effect for each auction will be determined and displayed in the Auction Platform prior to the opening of each auction bidding window.

Examples of how the settlement price is determined are provided in the Auction Examples document available from the Ontario cap and trade webpage.

C. Auction Application Requirements and Instructions

Outlined below are requirements that must be met before being able to apply to participate in an auction.

1. Participant CITSS Registration

A participant must have an approved account in the Compliance Instrument Tracking System Service (CITSS) before applying to participate in an auction. Additionally, individuals must be approved as either the Primary Account Representative (PAR) or an Alternate Account Representative (AAR) on that account in order to submit an application for the participant and bid on behalf of the participant.

Accounts in CITSS must be approved by the Director and the “Auction Participation” box discussed below must be selected by the participant’s PAR or AAR no later than one (1) day prior to the end of an auction application period, which would leave the participant one (1) day for representatives to activate Auction Platform accounts and complete an auction application in the Auction Platform.

The Regulation requires that all changes in CITSS and all hard copy documentation accompanying changes in CITSS must be submitted a minimum of forty (40) days prior to the date the auction is held.

CITSS can be accessed at <https://www.wci-citss.org> or from the Ontario cap and trade webpage.

2. CITSS Representative and Participant Account Information

If during an auction application period, a participant needs to add, remove, or change the current PAR or AARs or update the participant information, this should be completed prior to an auction application being submitted. If any change to participant account representatives or account information is completed after an auction application is submitted, it may limit the participant's ability to be approved to participate in the auction or for a PAR or AAR to represent a participant in an auction.

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

- 1) Enter changes as needed in CITSS.
- 2) Complete and submit any forms or hard copy documentation required to support any changes entered in CITSS. The Regulation requires that all changes in CITSS and all hard copy documentation accompanying changes in CITSS must be submitted a minimum of forty (40) days prior to the date the auction is held.
- 3) Any submitted changes must be approved by the Director prior to the participant completing an auction application.

3. Business Relationship (Corporate Association) Information

Participants registered in CITSS must disclose all business relationship (corporate association) information, as set out in section 2 and Schedule 1 of the Regulation.

Business relationships between participants include relationships meeting at least one of the indicators of control in subsection 2(1) of the Regulation, meaning generally those with a percent of ownership or control greater than 20 percent.

Participants are considered to form a Corporate Association Group when their business relationship(s) meet at least one of the indicators of control in subsection 2(2) of the Regulation, meaning generally those with ownership or voting power exceeding 50 percent of another participant in Ontario's cap and trade program. Members of a Corporate Association Group must share holding limits and auction purchase limits. Refer to section VI B. 3 of this document for further information on the sharing of auction purchase limits and holding limits between members of a Corporate Association Group.

Pursuant to sections 26, 34, 37 and 67 of the Regulation, any changes to business relationship information submitted as a condition of participant registration in the Ontario cap and trade program must be submitted within thirty (30) calendar days of the change and a minimum of forty (40) days prior to the date the auction is held, whichever is sooner. This includes, but is not limited to, information such as:

- a. Corporate identity, ownership, and capital structure of the applicant;
- b. The existence of any business relationships (corporate associations) with other participants; and
- c. An allocation of the purchase limit and holding limit among related (associated) participants, if applicable.

Most information related to corporate identity would be submitted in CITSS, while information related to corporate ownership, capital structure of the applicant, the existence of any parent company, subsidiaries and business relationships (corporate associations), and allocation of the purchase limit and holding limit among members of a Corporate Association Group would be submitted using the Business Relationship Disclosure Form, which is separate from CITSS. This form is available on the Ontario Central Forms Repository webpage at <http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?OpenForm&ACT=RD&TAB=PROFILE&SRCH=&ENV=WWE&TIT=business+relationship+disclosure&NO=012-2139E>.

If a change to the corporate association affects auction participation, that change, and any additional actions required by that change, must be received and reviewed by the Director, and approved in CITSS prior to the end of an auction application period or the participant(s) 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 participants impacted by the change of ownership may not be able to participate in the auction.

Providing incomplete or inaccurate information regarding corporate associations will cause a participant's auction application to be rejected (i.e. the participant will not be given permission to bid). Guidance on Ontario's regulatory provision on corporate associations is available from the Ontario cap and trade webpage at <https://www.ontario.ca/page/cap-and-trade-citss-registration-business-relationships>.

D. Administrative Requirements

Administrative requirements are requirements that must be met before being able to access the Auction Platform to submit a participant's auction application. These requirements include

selecting the “Auction Participation” box in CITSS to agree to have participant account and account representative information transferred to the Auction Administrator and Financial Services Administrator for the purpose of facilitating participation in any upcoming auction and for any PAR or AAR authorized by a participant to act on its behalf in an auction. This requirement and additional administrative requirements are described below.

1. Select the “Auction Participation” Box in CITSS

A PAR or AAR from each participant must select the “Auction Participation” box in CITSS to indicate the participant’s interest in participating in upcoming auctions. By selecting this box, a participant representative agrees to have the participant name, general holding account number, participant contact information, representative names, representative phone numbers, and representative email addresses transferred to the Auction Administrator and Financial Services Administrator for the purpose of facilitating participation in any upcoming auction.

The “Auction Participation” box must be selected no later than one (1) day prior to the end of the application period for an auction in which a participant wishes to participate and must remain selected throughout the auction until any allowances from successful bids are transferred into the participant’s account and the auction is closed. Once selected, the “Auction Participation” box will remain selected facilitating participation in all subsequent auctions unless deselected by a PAR or AAR of the participant.

The PAR or an AAR may deselect the "Auction Participation" box if the participant wishes to stop sharing its information with the Auction Administrator and Financial Services Administrator and no longer wishes to participate in any future auctions. While a participant may change this setting at any time in CITSS, this setting must be deselected prior to the start of an application period for an auction to avoid the transfer of the participant’s information to the Auction Administrator and Financial Services Administrator.

During an application period, the participant and representative information is sent to the Auction Administrator and Financial Services Administrator daily to reflect any approved changes or updates.

If during an auction application period, a participant needs to add, remove, or change the current PAR or AARs or update the participant information in CITSS and the participant has not already selected the “Auction Participation” box in CITSS, the changes should be approved by the Director prior to selecting the “Auction Participation” box. This ensures that the participant account information transmitted to the Auction Administrator and Financial Services Administrator is current and accurate.

If there has been a change in account representatives, only those representatives who have completed the Auction Platform account activation process, were associated with the participant at the close of the auction application period, and are active representatives on the participant’s

CITSS account will be allowed to submit bids during the auction or download reports specific to the auction on behalf of the participant. Any representatives who have been removed from a CITSS account will not be allowed to submit bids on behalf of the participant they no longer represent. Any representatives who were not approved as a PAR or AAR on a CITSS account prior to the end of an auction application period will not be allowed to submit bids on behalf of the participant.

2. PAR/AAR Auction Platform Accounts

Any PAR or AAR authorized by a participant 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 an application for the participant, submit bids on behalf of the participant during an open bidding window, or download reports specific to the auction.

The Auction Platform can be accessed at <https://www.wci-auction.org/on> or from the Ontario cap and trade webpage or the WCI, Inc. webpage.

3. Auction Platform Account Activation

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

During the application period for each auction, representatives who have not previously received an activation link inviting them to activate an Auction Platform account are sent an email inviting them to activate an Auction Platform account. The activation link is active for 24 hours. 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 and request that a new link be sent.

The username for an Auction Platform account is the email address the representative has submitted in CITSS. If an individual previously activated an account in the Auction Platform but changes his or her email in CITSS, the prior Auction Platform access under the previous email will be disabled. He or she will need to activate a new account in the Auction Platform and will receive an account activation email after the Auction Administrator has received the updated information during the next open application period for an auction that the participant is eligible to participate in and for which the participant has selected the “Auction Participation” box in CITSS. If an individual is removed as an account representative from a participant's account, the representative's Auction Platform access for that participant will be disabled and he or she will not be able to represent the participant or access participant reports in the Auction Platform.

Representatives added to a CITSS account after an auction application period has closed will not be sent an activation email until the next application period opens and will not be able to represent the participant in the Auction Platform during this auction.

Outlined below are details regarding activation of a participant representative's Auction Platform account:

- During an open auction application period, account information, including participant and representative information is transferred on a daily basis from CITSS to the Auction Administrator.
- Starting the day the application period opens for each auction, individuals who have not previously been indicated as a PAR or AAR on any CITSS account with the "Auction Participation" box selected will receive an Auction Platform account activation email from the Auction Administrator.
- The email will be sent to the account representative's current email address listed in CITSS.
- This email address 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 email will in most cases be received by the end of the next business day after an account representative's information is received by the Auction Administrator.
- 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.

4. Account Representatives Associated with Multiple Participants

Regardless of the number of participants for which an individual acts as the PAR or an AAR, that individual will only establish one Auction Platform account. All associations with participants for which an individual is an approved PAR or AAR will be reflected in the Auction Platform, if the participant(s) have selected the "Auction Participation" box in CITSS.

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

III. AUCTION APPLICATION

A. Submittal of Auction Application

The prior sections outlined requirements that must be met before being able to apply to participate in an auction. This section outlines requirements to apply to participate in an auction. For each auction, one participant representative (PAR or an AAR) completes the participant's application to participate in the 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 thirty (30) days prior to the auction on the due date for submitting an auction application.

The due date for submitting an auction application in the Auction Platform is the date and time the auction application period closes in the Auction Platform as set out in the Auction Schedule provided in the Auction Notice available from the Ontario cap and trade webpage.

Auction participants must submit an application through the Auction Platform and the Auction Attestation Disclosure described below at least thirty (30) days prior to the first auction in which they wish to participate. Each participant must complete an application by the date and time the auction application period closes in the Auction Platform as listed in the Auction Schedule provided in the Auction Notice.

The auction application process includes the following steps, which are described in more detail in the sections that follow:

- 1) Confirm the event in which the participant intends to bid.
- 2) Verify participant and account representative information.
- 3) 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.
- 4) Complete the Attestation response in the Auction Platform and submit the auction application.

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

Either the PAR or an AAR must access the Auction Platform and identify the auction in which the participant intends to bid.

2. Verify Participant and Account Representative Information

The participant representative completing the auction application will review and confirm the participant information in the Auction Platform, including the account representative details.

Participant and account representative information is transferred to the Auction Administrator from CITSS. Therefore, all changes to participant and account representative information must be made and approved in CITSS to be properly reflected in the auction application pages in the Auction Platform. Changes to any information required as a condition of registration, such as a participant's legal name, will require review and approval by the Director. It may take up to ten (10) business days before changes made in CITSS are approved and reflected in the Auction Platform. Updates in CITSS should be made as early as possible to allow time for Director approval and subsequent submittal of the auction application in the Auction Platform.

The Regulation requires that all changes related to the distribution of the holding limit and business relationships (corporate associations) must be submitted a minimum of forty (40) days prior to the date the auction is held.

An individual registered as a market participant in the Ontario cap and trade program who is applying to participate in an auction will be required to submit additional documentation to the Financial Services Administrator, such as the individual market participant's social insurance number. The Financial Services Administrator will contact the individual to obtain the required information.

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

The participant representative must select the form of bid guarantee that the participant intends to submit for the auction. Auction participants can identify one or a combination of the allowable forms of bid guarantee in the Auction Platform on the Bid Guarantee Page.

A bid guarantee submitted for an auction must be in one or a combination of the following forms:

- a. A bank transfer¹;
- b. An irrevocable letter of credit (LOC)²; or
- c. A letter of guarantee (LOG)²

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.

¹ issued by a bank within the meaning of the *Bank Act* (Canada)

² issued by a bank within the meaning of the *Bank Act* (Canada) or issued by a financial services cooperative that is authorized by a statute of Canada or Ontario to carry on business in Canada or Ontario

When a bank transfer (cash) bid guarantee is provided, unused cash amounts will be returned through a Society for Worldwide Interbank Financial Telecommunication (SWIFT). The return instructions typically require the following information:

- a. Beneficiary Account Name
- b. Beneficiary Account Number
- c. Beneficiary Bank Name
- d. Beneficiary SWIFT-BIC (Bank Identifier Code)
 - o A SWIFT-BIC number must be provided in the return instructions.

Additional information may be required and can be submitted in the “Comments” field of the Auction Platform. It is recommended that the participant’s representative contact the Financial Services Administrator to ensure all necessary information for return instructions has been received.

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

- a. Name of a contact individual
- b. Return contact phone number
- c. Complete street address for return mailing
 - o Return address (must be a physical address; no P.O. Box³)
 - o Return city
 - o Return postal code
 - o Return province
 - o Return country

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

³ The Financial Services Administrator cannot return physical bid guarantee instruments to a P.O. Box address as a signature is required to ensure security of the instruments and to allow for confirmation of receipt.

4. Complete the Attestation Response in the Auction Platform and Submit the Auction Application

When the application information is complete and accurate, the participant representative will complete the required Attestation response in the Auction Platform.

A “Yes” answer to the Attestation in the Auction Platform indicates that the representative completing the application understands the requirements imposed by law and that there are no updates to the disclosures since the most recent auction application attestation was submitted.

A “No” answer to the Attestation in the Auction Platform indicates that the representative completing the application understands the requirements imposed by law and that updates to the disclosure information required by MOECC will be submitted by the deadline of 40 days prior to the auction.

If a representative needs to provide additional information in response to the Attestation, please use the contacts provided in the Auction Notice.

After the Attestation response has been completed, the representative must agree to the Auction Platform Terms of Use and Privacy Policy. The representative can then submit the auction application in the Auction Platform.

B. Receipt of Auction Application

The Auction Administrator will confirm receipt of each auction application on the day it is submitted in the Auction Platform via an email sent to the PAR and all AARs.

IV. SUBMIT A BID GUARANTEE

A. Bid Guarantee Requirements and Use

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

<p>NOTE: Final bid guarantees must be received by the Financial Services Administrator no later than the date listed in the Auction Schedule provided in the Auction Notice.</p>

The amount of the bid guarantee provided to the Financial Services Administrator will be used to set participant bidding limitations in the auction. The amount of the bid guarantee must be greater than or equal to the participant's proposed maximum bid value (i.e. maximum value of the bids to be submitted). To determine the bid guarantee amount, refer to examples provided in the Auction Examples document available from the Ontario cap and trade webpage.

B. Bid Guarantee Submittal Process

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

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

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

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

Participants that have not previously established a Financial Services Account and those with changes in corporate disclosures may need to provide additional information to the Financial Services Administrator to support the account being established or verified.

An individual registered as a Market Participant in the Ontario cap and trade program who is applying to participate in an auction will be required to submit additional documentation to the Financial Services Administrator. 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 participant that applies to participate in an auction to manage bid guarantees and payment in respect of successful bids (after auction certification).

A participant's PAR and all AARs will receive an email from the Auction Administrator notifying them when the Financial Services Account has been established or verified and directing them to download the Financial Services Delivery Instructions from the Auction Platform to obtain the information needed to submit the bid guarantee.

2. Download Financial Services Delivery Instructions

The email received when a Financial Services Account is established or verified will direct the PAR and AARs to download the participant's Financial Services Delivery Instructions from the Auction Platform. The Financial Services Delivery Instructions will include the information needed to submit the bid guarantee, including the Financial Services Account Number, which must be referenced when submitting a bid guarantee to the Financial Services Administrator, as well as wiring instructions for submitting a cash bid guarantee by bank (wire) transfer and mailing instructions for submitting physical bid guarantee instruments (LOC/LOG).

To download a participant's Financial Services Delivery Instructions, a PAR or AAR will log in to the Auction Platform. Under the Reports Module, the representative will select "Templates," then from the dropdown menu will select "Financial Services Delivery Instructions." An additional drop down menu will be displayed for the representative to select the current event. It is critical that the representative select the appropriate event, as one participant may have more than one Financial Services Account Number associated with different events.

3. Submit a Bid Guarantee to the Financial Services Administrator

After notification by email that the Financial Services Account has been established, each participant 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 hold in escrow all bid guarantees submitted as financial security. All bank transfer (cash) bid guarantees submitted will be held in a non-interest bearing escrow account with the Financial Services Administrator.

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

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

Bank (wire) transfer instructions are provided in the Financial Services Delivery Instructions downloaded from the Auction Platform.

NOTE: 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 bank (wire) transfer details are set up exactly as provided in the participant’s Financial Services Delivery Instructions.

For participants providing a cash bank (wire) transfer, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) wire transfer details must include the following information:

Table 2: Instructions for cash bid guarantee bank (wire) transfers

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

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

Table 3: Postal address to be used for submitting bank (wire) transfers

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

A bank transfer (wire) 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 participant 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.
- Participants are advised to communicate with their financial institutions to verify how to proceed with bank (wire) transfers.

Bank (wire) transfers that are returned by the Financial Services Administrator to a participant 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 participant. A returned wire fee is not an auction fee and is not received by Ontario. A returned wire fee is a common banking transaction fee not related to the Ontario cap and trade program or the auction process.

3.2 Requirements for Submitting a Physical Bid Guarantee Instrument (LOC or LOG)

Physical bid guarantee instruments must be received by the Financial Services Administrator in final form by the deadline date for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice, per the delivery instructions provided in the Financial Services Delivery Instructions and outlined below. See the Auction Schedule provided in the Auction Notice for the exact deadline date.

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

Auction and Reserve Sale Financial Services Administrator

c/o Deutsche Bank Trust Company Americas

60 Wall Street, 16th Floor

Mailstop: NYC60-1630

New York, NY 10005-2836

NOTE: Please include your Participant Legal Name and Financial Services Account Number as they appear in the Financial Services Delivery Instructions (downloadable from the Auction Platform) when mailing the bid guarantee form(s) to ensure the bid guarantee is properly associated to the participant's account.

NOTE: Deutsche Bank Trust Company Americas is the institution name required for delivery of physical bid guarantees, while **Deutsche Bank National Trust Company** is used as the Beneficiary Bank Name provided for a physical bid guarantee. Participants submitting physical bid guarantees should be careful that both the Beneficiary Bank Name and the institution name included in the mailing address are correct, since the names are not the same. Refer to the Financial Services Delivery Instructions provided in the Auction Platform for complete information.

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

MOECC encourages participants to do the following:

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

If a bid guarantee is not received by the Financial Services Administrator in final form by the deadline date as listed in the Auction Schedule provided in the Auction Notice, the participant's auction application will be rejected (i.e. the participant will not be given permission to bid).

Physical bid guarantee instruments submitted by participants must be submitted in English. If the bid guarantee instrument is submitted in French, an English translation provided by the issuing bank will be required to support timely review of the document. A participant wishing to provide a bid guarantee instrument in French is encouraged to work with the institution issuing the instrument to provide an equivalent English translation. If the participant cannot obtain a translation from the institution issuing the instrument, please contact a representative of the MOECC at CThelp@ontario.ca or phone 1-888-217-3326 (toll-free).

3.3 Requirements for Submitting a Letter of Credit (LOC)

A LOC submitted as a bid guarantee must be issued by a bank within the meaning of the *Bank Act* (Canada) or issued by a financial services cooperative that is authorized by a statute of Canada or Ontario to carry on business in Canada or Ontario.

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

- a. The LOC must refer to the Participant Legal Name or Participant Operating Name in CITSS as provided in the participant's auction application.
- b. **Deutsche Bank National Trust Company** must be listed as the beneficiary.⁴
- c. The LOC must be irrevocable.
- d. The amount of the LOC must be included.
- e. The expiration or maturity date must be at least twenty-six (26) days after the scheduled auction day.
- f. There must be instructions included indicating where to submit the LOC for payment.
- g. The LOC must allow for presentment by facsimile (Fax) (delivery in person or by courier cannot be required).
- h. There must be a payment certificate/form of draw included as an exhibit or annex to the LOC.
- i. The LOC must be payable within three (3) business days of a payment request.
- j. There must be a draw cut off time of no earlier than 12:00 PM (Noon) Eastern Time (ET) for same day draw.

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

3.4 Requirements for Submitting a Letter of Guarantee (LOG)

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

- a. The LOG must refer to the Participant Legal Name or Participant Operating Name in CITSS as provided in the participant's auction application.
- b. **Deutsche Bank National Trust Company** must be listed as the beneficiary/obligee.⁴

⁴ The Beneficiary Bank Name must be entered exactly as shown, which differs slightly from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in the Auction Platform for complete information.

- c. The party named as “Principal” in the LOG must be identical to that named in the participant’s application.
- d. The expiration date must be at least twenty-six (26) days after the scheduled auction.
- e. The amount of the LOG must be included.
- f. There must be instructions included indicating where to submit the LOG for payment.
- g. There must be a payment certificate/form of draw included as an exhibit or annex to the LOG.
- h. The LOG must allow for presentment by Fax (delivery in person or by courier cannot be required).
- i. The LOG must be payable within three (3) business days of a payment request.
- j. There must be a draw cut off time of no earlier than 12:00 PM (Noon) Eastern Time (ET) for same day draw.

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

C. Receipt of Bid Guarantee

The account representatives of auction applicants will receive an email from the Auction Administrator confirming that the bid guarantee has been successfully processed by the Financial Services Administrator. If a bid guarantee that meets the requirements is not received by the deadline date listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

D. Bid Guarantee Revision Process

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

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

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

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

Email: db.wcisupport@db.com

Phone: (714) 247-6054 or (212) 250-2885

Bid Guarantee Submittal Summary

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

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

V. RECEIVE NOTICE OF THE PARTICIPANT'S APPROVAL TO PARTICIPATE

MOECC staff will review each applicant's information, CITSS account status, and bid guarantee, and the Director will approve or deny each applicant to participate in the auction. Once the Director approves or rejects an applicant to participate in the auction, the PAR and all AARs for the participant will receive an email confirming approval or denial to participate in the auction. This is anticipated to occur within two (2) business days of the auction date. Each

participant that has completed an auction application and been approved to participate in the auction is referred to as a “Qualified Bidder.”

The reasons for possible denial of a participant’s participation in an auction include, but are not limited to, the following:

- The participant does not have an active CITSS account.
- A participant’s general holding account has been revoked or is currently suspended.
- The participant has not provided complete information on corporate associations.
- The participant has not submitted a bid guarantee that meets the requirements to the Financial Services Administrator by the deadline date as listed in the Auction Schedule provided in the Auction Notice.

VI. PARTICIPATE IN THE AUCTION

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

An Auction Exchange Rate is established prior to each auction for determination of the Auction Reserve Price. The Auction Exchange Rate in effect for the auction will be the United States dollar to Canadian dollar exchange rate (USD to CAD) as provided by the Bank of Canada for the day before, or a date as close as possible to, each Ontario auction.

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

A. Bidding in the Auction

Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the scheduled bidding window.

To bid in the auction:

- Auction participants will 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 “2020.” Participants must enter bids in CAD in whole cents.
- Auction participants are allowed to 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.
- Participants will be able to edit or withdraw confirmed bids 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.

B. Bidding Limitations

The Regulation includes several bidding limitations related to the Auction Reserve Price, bid guarantee submitted, purchase limits and holding limits. These bidding limits are described below.

The Auction Examples document provides additional information and examples of how to determine a bid guarantee amount, and how holding limits and purchase limits are applied.

1. Auction Reserve Price Bid Limitation

The Auction Reserve Price is the minimum price at which allowances offered in the Current Auction and Advance Auction will be sold. Bids submitted with a bid price below the Auction Reserve Price will not be accepted.

2. Bid Guarantee Bid Limitation

The Regulation requires that the bid guarantee submitted for an auction must be greater than or equal to the participant’s maximum bid value. A participant’s maximum bid value is determined as follows:

- 1) To calculate the maximum bid value of a set of bids, a participant’s bids are ranked from highest to lowest bid price.
- 2) For each bid price included in the participant’s set of bids, multiply the bid price by the number of allowances that the participant proposes to purchase at that bid price or at a higher bid price.

- 3) The highest value calculated in 2) is the maximum bid value of the participant's set of bids and is assessed against the value of the bid guarantee submitted.

This determination occurs after the bidding window has been closed and before the settlement price is determined.

Participants submit a single bid guarantee for both the Current Auction and Advance Auction. Once the Current Auction settlement price has been determined, the participant's total cost for allowances awarded in the Current Auction (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 Auction Examples document provides an example of how to calculate a participant's bid guarantee.

3. Purchase Limit Bid Limitation

The purchase limits that apply to a participant or to a Corporate Association Group for the Current Auction and the Advance Auction are as follows:

- The purchase limit for Capped Participants⁵ is 25 percent of the allowances offered for auction; and
- The purchase limit for Market Participants⁶ is 4 percent of the allowances offered for auction.

Participants that are part of a Corporate Association Group must allocate shares of the purchase limit amongst themselves. Each participant will have a specified percentage share of the Corporate Association Group's purchase limit⁷. The sum of the percentage shares allocated among the participants must be equal to 100 per cent. Each associated participant's allocated purchase limit share multiplied by the auction purchase limit assigned to the Corporate Association Group becomes the purchase limit for that participant. These purchase limits will be used to limit the quantity of allowances that may be purchased by each of the participants in a Corporate Association Group.

MOECC will transmit a file to the Auction Administrator prior to the auction that contains the purchase limit cap for each auction participant. These caps will indicate how many allowances an auction participant may acquire before exceeding its purchase limit.

⁵ or a Corporate Association Group of which at least one Capped Participant is a member

⁶ or a Corporate Association Group which is comprised entirely of Market Participants

⁷ Market Participants that are members of a Corporate Association Group that contains a Capped Participant may be allocated no more than a 16 percent share of the Corporate Association Group's total purchase limit (4 percent divided by 25 percent = 16 percent share). At no time may Market Participants be allocated greater than a 4 percent total purchase limit.

4. Holding Limit Bid Limitation

The holding limit is the maximum number of allowances that may be held by a participant or held collectively by participants in a Corporate Association Group. The holding limit will be calculated separately for each participant for the Current Auction and Advance Auction. The Auction Examples document provides further detail on how the holding limit applies to an auction.

Participants that are part of a Corporate Association Group must allocate shares of the holding limit amongst themselves. This holding limit allocation results in each participant having a specified percentage share of the Corporate Association Group's holding limit. The sum of the percentages allocated among the participants must equal 100 per cent.

The MOECC will transmit a file to the Auction Administrator prior to the auction that contains the holding limit cap for each auction participant. These caps will indicate how many allowances an auction participant may acquire before exceeding its holding limit. The holding limit cap will be based on CITSS account balances and limited exemption data available in CITSS at approximately 12:00 PM (Noon) ET the day prior to the auction. The holding limit cap transmitted to the Auction Administrator is used solely for the purpose of administration of the holding limit bid limitation in the auction and will only reflect the account balances in CITSS the day before the auction. Any changes to CITSS account balances after the determination of the holding limit cap due to transfers of allowances will not be reflected in the Auction Platform on the day of the actual auction.

C. Auction Administrator Application of the Bidding Limitations

Submitted bids that contain cumulative bid quantities in excess of the purchase limit or holding limit, or have a maximum 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 cumulative bid quantity that exceeds one or more limits will be rejected, in bundles of 1,000 allowances, not the entire bid quantity. "Qualified Bids" are the bids that remain after the submitted bids have been evaluated and reduced to meet all limits. 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.

D. Settlement Price Determination

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. 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 will be determined first, followed by the determination of the settlement price for the Advance Auction. Bidders submit a single bid guarantee for both the Current Auction and Advance Auction. Once the Current Auction settlement price has been determined, the participant's total cost for allowances awarded in the Current Auction (CAD 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 as the Advance Auction bid guarantee limitation.

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

E. Auction Conduct

1. Non-Disclosure of Bidding Information

Pursuant to sections 32(6), (7), (8) and (10) of the Act, a participant approved for auction participation must not disclose to any other person any confidential information related to its auction participation⁸, except as provided for in section 65 of the Regulation. Information that must not be disclosed includes:

- a. Intent to participate, or not participate, in an auction;
- b. Auction approval status;
- c. Bidding strategy;
- d. Bid price or bid quantity information; or
- e. Information on the bid guarantee provided to the Financial Services Administrator.

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

- name,
- contact information, and
- employer, if applicable.

⁸ except to persons prescribed by regulation, e.g. natural gas distributors can share auction information with the Ontario Energy Board for rate determination purposes

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

2. Market Monitoring

WCI, Inc. has contracted with an independent Market Monitor, Monitoring Analytics, LLC, in respect of market monitoring services for the Ontario cap and trade program. The purpose of the Market Monitor is to:

- Monitor holdings and transfers of compliance instruments recorded in CITSS;
- Monitor secondary markets and related markets, including derivatives markets; and
- Audit and monitor allowance auctions and sales.

The Market Monitor will also provide independent review of Corporate Association Groups.

The Market Monitor will monitor, evaluate and report on relevant market activities, including any allowance holdings positions that violate the Act or Regulation and provide opportunity to exercise market control. The Market Monitor will also monitor, identify, and report any issues found in allowance market activity outside of CITSS using secondary and derivatives market sources. These efforts include identification of any issues related to potentially fraudulent activity affecting the cap and trade market. The Market Monitor also monitors related markets that may significantly affect the cap and trade market, such as related energy markets. The Market Monitor's findings will be provided to MOECC to review and take action as needed.

MOECC will also monitor the auctions and sales during the bidding window and review submitted bids to determine if there are any indications of anti-competitive behavior. In addition, MOECC will monitor the allowance holding data in CITSS for contraventions to the Act or Regulation or potential fraudulent activity.

Any fraudulent, manipulative, collusive or non-competitive behavior in an allowance auction or sale will be investigated and prosecuted in accordance with all applicable laws and regulations.

VII. AUCTION RESULTS AND CERTIFICATION

Following the auction, MOECC and the Market Monitor will review the auction results. The Market Monitor will prepare a confidential, independent review of auction performance and results and report to MOECC on the outcomes. MOECC will also review the conduct of the auction to determine whether the auction met the requirements of the Act and Regulation.

A. 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 Ontario cap and trade 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, a message will be posted on the Ontario cap and trade webpage providing the new time for the release.

The Auction Summary Results Report will include the following:

- a. The names of the Qualified Bidders.
- b. The Current Auction and Advance Auction settlement prices.
- c. Aggregated or distributional information on purchases with the names of the participants withheld.

Following the release of the Auction Summary Results Report, Ontario 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.

B. Notification of Participant Auction Results

Following the posting of the public auction results, MOECC will certify the auction in the Auction Platform. When the auction is certified, representatives of Qualified Bidders will receive a notification email from the Auction Administrator that the participant's auction results are available to view and download through the Auction Platform via the participant's Organization Results Report. Additionally, a Financial Statement will be available to which serves as the financial settlement invoice for the auction and will include the number and total cost of allowances the participant has been awarded, if any. This process, beginning with the notification email above, serves as notification by the Minister that one or more of the participant's bid(s) have been successful in the auction per subsection 63(1) of the Regulation.

The participant's Organization Results Report will include the following:

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

- Total Bid Cost (Current, Advance and Combined Total Cost)
 - Account Information
 - Participant Information
 - Bid Guarantee Submitted by Type (cash, LOC or LOG)
 - Amount Due to Financial Services Administrator (if any)
 - Amount Due By Date (if an amount is due)
- b. Wiring Instructions for Submitting Payment
- c. Bid Information

The participant's Financial Statement will include all of the above except bid information.

C. Download all Reports

Immediately following notification of availability of the participant's results in the Auction Platform, a participant's PAR or an AAR should download and save all Auction Platform reports that are available to a participant that has participated in an auction. The available reports include:

- a. the Organization Results Report,
- b. the Financial Statement, and
- c. the Client Bid Audit Report.

As these reports are confidential, they are not available to any parties other than the PAR and AARs that were associated with a participant for each auction. CITSS account representatives may change over time and access to historical reports cannot be provided to new representatives. To maintain a complete record of a participant's auction participation, it is recommended that all reports be downloaded and maintained by auction participants as soon as each event is certified and all reports become available in the Auction Platform.

VIII. COMPLETE FINANCIAL SETTLEMENT

A. Financial Settlement Requirements and Outline

Participants 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 Organization Results Report represents the beginning of the seven (7) day period in which an auction participant is required to complete payment to the Financial Services Administrator of the amount due for allowances awarded. The deadline for receiving payment by bank (wire) transfer is listed in the Auction Schedule in each Auction Notice.

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

- 1) For those participants that submitted cash bid guarantees, use the cash submitted to settle for any amounts owed.
- 2) For participants that submitted physical bid guarantee instrument(s) (LOC or LOG), collect cash payment for any amounts owed from winning bidders within seven (7) days of notification of the availability of the auction results.
- 3) Draw on the physical bid guarantee instrument(s) for any participants that fail to submit payment for amounts owed within seven (7) days of availability of the auction results.
- 4) Distribute auction proceeds from the sale of allowances to Ontario.

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

B. Cash Settlement

All final financial settlements must be completed in cash by auction participants within seven (7) days of the availability of the participant's auction results in the Auction Platform. The wiring instructions for cash settlement will be included in the Organization Results Report which is downloaded from the Auction Platform. If a bank (wire) transfer was submitted for the bid guarantee, the funds on account will be used to settle any amount owed, and any unused portion will be returned to the participant.

A bank (wire) transfer may require an international funds transfer. There are fees associated with an international funds transfer. All the fees associated with a cash bank (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 cheque or cashier's cheque for allowances awarded in an auction. If a cheque is received for cash settlement, the cheque will be returned.

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

C. Return of Bid Guarantee

The Financial Services Administrator will return any unused bid guarantees based on the return instructions provided when the auction application was submitted in the Auction Platform. Cash will be returned through wire transfer⁹ and physical bid guarantee instruments in the form of a LOC or LOG will be returned directly to the auction participants through courier delivery. The Financial Services Administrator will send an email to the PAR and all AARs of auction participants 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 winning 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 auction participant through Fedwire transfer based on the return instructions provided during the application process in the Auction Platform.

⁹ If a wire transfer is returned to the Financial Services Administrator by a participant's financial institution due to an error or incomplete wire transfer details provided by a participant, resulting in a fee charged to the Financial Services Administrator, the fee will be reflected in the total bid guarantee returned to a participant. A returned wire fee is not an auction fee, but is a common banking transaction fee not related to the Ontario Cap and Trade program or the auction process.

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

IX. TRANSFER OF ALLOWANCES INTO CITSS ACCOUNTS

Allowances are transferred to the CITSS accounts of winning bidders following completion of financial settlement and transfer of funds from the Financial Services Administrator to Ontario. The expected date for allowance transfers is provided in the Auction Schedule in the Auction Notice.

Disclaimer: Both the Detailed Auction Requirements and Instructions and the Auction Examples should be read in conjunction with the *Climate Change Mitigation and Low-carbon Economy Act, 2016* and O.Reg. 144/16. A registered participant who is seeking to participate or who is participating in an auction should refer to the Act and the Regulation along with these two documents. Where there is a discrepancy between what is contained in these documents and the Act or Regulation, the Act or Regulation will prevail. If you have any questions about the application or interpretation of the Act or Regulation or have other legal questions, you should consult a lawyer.