

# Auction Notice

## Ontario Cap and Trade Program Auction of Greenhouse Gas Allowances On November 29, 2017 Issued on September 29, 2017

### Auction Summary

This document, the Auction Notice, is the official public notice required under section 60 of The Cap and Trade Program Regulation, O. Reg. 144/16 (“the Regulation”) for the November 29, 2017 greenhouse gas (GHG) allowance auction (November 2017 Ontario Auction #4). The November 2017 Ontario Auction #4 will offer year 2017 vintage allowances in the Current Auction and year 2020 future vintage allowances in the Advance Auction. In the Auction Platform, the November 2017 Ontario Auction #4 is identified by the title “Ontario Auction #4 November 2017”.

Additional background information, detailed instructions, and examples are posted in two supporting guidance documents to this Auction Notice. The [Detailed Auction Requirements and Instructions](#) (updated July 2017) document provides background information on the Ontario Cap and Trade Program as well as detailed requirements and instructions for participating in an auction, including:

- eligibility;
- auction applicant requirements;
- submitting a bid guarantee;
- bidding; and
- a description of the process to complete auction financial settlement and transfer allowances to successful bidders’ accounts in the Compliance Instrument Tracking System Service (CITSS).

The [Auction Examples](#) document provides information and examples of how to determine the amount of a bid guarantee (financial assurance), how holding and

purchase limits are applied, and examples of how auctions are settled.

**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 the Regulation. 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.

## **Date and Time of Auction**

**The November 2017 Ontario Auction #4 is scheduled to take place on November 29, 2017 from 1:00 PM Eastern Time (ET) until 4:00 PM ET.**

Registered participants in Ontario's cap and trade program can access the auction platform [here](#).

## **Allowances Offered for Sale**

Allowances offered during an auction are created under the Ontario Cap and Trade Program. Allowances available for this auction are of current vintage budget year (2017) and future vintage budget year (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 beyond the year of the auction) is known as the Advance Auction. The Current Auction and Advance Auction will occur simultaneously at the date and time identified in the Auction Notice.

The number of allowances that will be available for sale in the November 29, 2017 Current Auction and Advance Auction are provided below in Table 1 below.

**Table 1: Allowances Offered for Sale**

<b>Auction</b>	<b>Number of Allowances</b>
Current Auction (2017 vintage allowances)	25, 296,369
Advance Auction (2020 vintage allowances)	3,116,700

## **Annual Auction Reserve Prices**

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 and Québec Annual Auction Reserve Price after applying the exchange rate established for the 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, and are available on the [website of the California Air Resources Board](#).

The exchange rate established for each auction (Auction Exchange Rate) will be the United States dollar to Canadian dollar (USD to CAD) daily average exchange rate as provided by the [Bank of Canada](#) for the day before, or a date that is before and 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 auction will only be accepted in Canadian dollars (CAD).

The Annual Auction Reserve Prices for California (CA) and Québec (QC) are provided in Table 2. The CA Annual Auction Reserve Price is presented in United States Dollars (USD). The QC Annual Auction Reserve Price is presented in Canadian Dollars (CAD).

**Table 2: 2017 Annual Auction Reserve Prices**

<b>Auction</b>	<b>CA Annual Auction Reserve Price (USD)</b>	<b>QC Annual Auction Reserve Price (CAD)</b>
Current Auction	\$13.57	\$13.56
Advance Auction	\$13.57	\$13.56

## **Auction Application Requirements and Instructions**

### **I - Eligibility**

Ontario capped participants (mandatory and voluntary), and market participants that have approved accounts in CITSS are eligible to apply to participate in an auction.

### **II - Application Requirements**

Please note that the Auction Platform and the Compliance Instrument Tracking System Service (CITSS) were updated in June 2017. Participants now submit auction applications in CITSS. Auction applications can no longer be submitted in the Auction Platform.

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

A participant will be required to complete an auction participant application in CITSS at least 30 days prior to an auction in which it intends to participate. A participant applying for permission to be an auction participant must be registered under the Ontario Cap and Trade Program and have a CITSS General Holding Account that has not been revoked or is not subject to conditions under the Regulation or imposed by the Director that prohibit participating in auctions or otherwise prevent emission allowances or credits from being transferred to the person's cap and trade accounts.

Auction application requirements are described in further detail in the [Detailed Auction Requirements and Instructions](#) (updated July 2017) document.

## Auction Schedule

Table 3 presents the schedule for activities associated with the November 2017 Ontario Auction #4 (Auction Schedule). Any changes to the Auction Schedule including estimated timelines for activities following the auction will be communicated through an updated Auction Notice and by email to the active PAR and AARs of cap and trade program registered participants.

**Table 3: Auction Schedule**

<b>Activities</b>	<b>Due Date</b>	<b>Eastern Time (ET)</b>
Auction Notice released / Auction application period opens	Friday, September 29, 2017	1:00 PM ET
Deadline for participants to make any required changes in CITSS and submit all hard copy documents accompanying the changes <sup>1</sup>	Friday, October 20, 2017	
Auction application period closes. Deadline for participants to complete an auction application in CITSS	Monday, October 30, 2017	11:59 PM ET
All bid guarantees due to Financial Services Administrator	Friday, November 17, 2017	11:59 PM ET
Auction participants approved and account representatives (PAR and AARs) notified	Monday, November 27, 2017	

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<sup>1</sup> Under the Regulation a registered participant is required, as a condition of registration, to notify the Director of any changes to certain information that was provided as part of the participant's application for registration (see sections 26, 34 and 37). The Regulation also requires that a registered participant who is seeking to participate in an auction must provide the updated information (i.e. changes to the registration information) no later than forty (40) days before an auction.

<b>Activities</b>	<b>Due Date</b>	<b>Eastern Time (ET)</b>
Auction Exchange Rate (FX Rate) and Auction Reserve Price posted to Auction Platform	Tuesday, November 28, 2017	5:00 PM ET
Auction held	Wednesday, November 29, 2017	Bidding window open 1:00 PM – 4:00 PM ET
Auction Summary Results Report released to the public / Auction Certified / Auction results available to qualified bidders	Wednesday, December 6, 2017	3:00 PM ET
Financial settlement in cash due to Financial Services Administrator	Wednesday, December 13, 2017	11:59 PM ET
Distribution of auction proceeds completed	Thursday, December 21, 2017	
Transfer of allowances into CITSS Accounts	Thursday, December 21, 2017	
Ontario Post-Auction Public Proceeds Report released	Thursday, December 21, 2017	
Earliest date for bid guarantee expiration	Monday, December 25, 2017 (26 days after the auction)	

# Procedures for Conducting the Auction

Each auction will be conducted on an electronic, internet-based, Auction Platform. Bidders submit bids in a single-round, sealed-bid auction format.

As described above, each participant must submit an application in CITSS for an auction. Financial Services Delivery Instructions will be available from CITSS, and all final bid guarantees must be received by the Financial Services Administrator by no later than the date and time listed in the Auction Schedule above. Applicants will be approved or denied permission to participate in an auction in CITSS approximately two (2) business days prior to the date the auction is scheduled to take place.

Procedures for conducting the auction are described in further detail in the [Detailed Auction Requirements and Instructions](#) (updated July 2017) document with specific examples provided in the [Auction Examples](#) document.

## Form and Manner for Submitting Bids

Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the bidding window. Bid quantities can only be submitted in multiples of 1,000 allowances, i.e. 1 bid lot equals 1,000 allowances. Bids for both the Current Auction and the Advance Auction will be accepted during the scheduled 3-hour auction bidding window. The form and manner for submitting bids are described in further detail in the [Detailed Auction Requirements and Instructions](#) (updated July 2017) document with specific examples provided in the [Auction Examples](#) document.

## Auction Participant Training Materials

An Auction Participant Training presentation (updated September 2017) is available on the Auction Platform. The presentation includes information on requirements for auction participation, the updated auction application process, bid guarantee submission, bid submission, settlement price determination, and the financial settlement processes for auctions.

Additional training and reference materials are also available on the Auction Platform, and include dates of upcoming activities, Frequently Asked Questions (FAQs), and an Auction Platform User Guide.

## **Additional Information**

Additional information on the Ontario Cap and Trade Program is available on the Ontario government webpages as follows:

[Ontario Cap-and-Trade Program](#)

[Ontario Allowance Auction Information](#)

[CITSS Registration Information](#)

For questions regarding the Ontario Cap and Trade Program, please contact the Cap and Trade Helpdesk at 1-888-217-3326 or at [CThelp@ontario.ca](mailto:CThelp@ontario.ca).