

Practice Auction Notice
Ontario Cap and Trade Program
Practice Auction of Greenhouse Gas Allowances
On January 17, 2017
Issued on January 9, 2017

Practice Auction Summary

This document, the Practice Auction Notice, is the official public notice required under section 60 of The Cap and Trade Program Regulation (O.Reg. 144/16) for the January 17, 2017, practice greenhouse gas (GHG) allowance auction (Practice Auction). The January 17, 2017 Practice Auction will demonstrate how auctions are anticipated to be conducted.

The intent of the Practice Auction is to introduce stakeholders to the anticipated processes and materials for an auction. **The Practice Auction is NOT the same event as the March 2017 auction.**

Content in this Practice Auction Notice is very similar to the anticipated content for an actual auction notice. Please ensure the requirements and deadlines as provided in the Practice Auction Notice and Practice Auction Schedule are followed closely to allow participation in the Practice Auction. Additional notes and directions specific to the Practice Auction are found in red boxes.

Supplementary Information

Additional background information, detailed instructions, and examples are posted in two supporting guidance documents to this Auction Notice. The Detailed Auction Requirements and Instructions 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;
- applicant requirements;
- administrative 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, how holding and purchase limits are applied, and examples of how auctions are settled.

Practice Auction Notes

- The requirements and instructions for participating in the Practice Auction will differ in some areas from the requirements and instructions for participating in an actual auction as indicated in the sections below.

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.

Date and Time of Practice Auction

The January 17, 2017 Practice Auction is scheduled to take place on January 17, 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 may be of current vintage budget year (2017) or 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 January 17, 2017 Current Auction and Advance Auction are provided below in Table 1 below.

Practice Auction Notes

- The amounts provided in Table 1 are the number of practice allowances that will be represented as being offered in the Practice Auction.
- **These allowances are fictitious instruments and do not exist.**

Table 1: Practice Allowances Offered for Sale in the Practice Auction

Auction	Number of Practice Allowances
Current Auction (2017 vintage allowances)	25,000,000
Advance Auction (2020 vintage allowances)	15,000,000

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 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 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

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

Auction Application Requirements and Instructions

I - Eligibility

Practice Auction Notes

- All participants must have approved accounts in CITSS in order to be eligible to participate in the Practice Auction

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 - Administrative Requirements

Practice Auction Notes

- Administrative requirements for the Practice Auction are the same as anticipated for an actual auction.
- Because the Practice Auction Schedule is compressed, it is recommended that any participant who wishes to participate in the Practice Auction immediately select the CITSS "Auction Participant" box, if it is not already selected.
- To allow an Auction Platform account to be activated, the Auction Participant Box must be selected by 12:00 PM (Noon) EST on Wednesday, January 11, 2017.

Administrative requirements are requirements that must be met before participants may access the Auction Platform to submit a participant's application for an auction. 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. To establish access to the Auction Platform a Primary Account Representative (PAR) or Alternate Account Representative (AAR) must be authorized by a participant to act on its behalf in an auction.

These requirements are described in further detail in the Detailed Auction Requirements and Instructions document. The terms used below are described in that document in relation to the terms defined and used in O. Reg. 144/16.

III - Application Requirements

Practice Auction Notes

- The application period for the Practice Auction begins on January 9, 2017 at 10:00AM (ET) and ends on January 12, 2017 11:59PM (ET).
- Participants must complete an auction participant application in the Auction Platform during the application window in order to participate in the Practice Auction.

A participant will be required to complete an auction participant application at least thirty (30) days prior to an auction in which it intends to participate. A participant applying for approval as 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 suspended.

Auction application requirements are described in further detail in the Detailed Auction Requirements and Instructions document.

Practice Auction Notes

- Participants may enter placeholder information when completing the auction application for the Practice Auction.

Auction Schedule

Practice Auction Notes

- The Practice Auction Schedule in Table 3 is specific to the Practice Auction and is presented in a substantially compressed time frame compared to an anticipated schedule for an actual auction.

Table 3 presents the schedule for activities associated with the Ontario Practice Auction (Practice Auction Schedule). Any changes to the Practice Auction Schedule will be communicated through an updated Practice Auction Notice and by email to the PAR and AARs of registered participants that have selected the “Auction Participation” box in CITSS.

Table 3: Practice Auction Schedule

Practice Auction Notes

- Participants **will not** submit bid guarantees to the Financial Services Administrator for the Ontario Practice Auction.
- Participant results **will not** be released for the Ontario Practice Auction.
- Financial settlement **will not** be completed for the Ontario Practice Auction.
- The Practice Auction **will not** be certified and individual participant bidding results **will not** be available to qualified bidders in the Auction Platform.

Activities	Due Date	Eastern Time (ET)
Practice Auction Notice released / Practice Auction application period opens	Monday, January 9, 2017	10:00 AM ET

Activities	Due Date	Eastern Time (ET)
Deadline for participants to make any required changes in CITSS and submit all hard copy documents accompanying the changes ¹	This step is not applicable for the Practice Auction	
Practice Auction application period closes. Deadline for participants to complete an auction application for the Practice Auction in the Auction Platform	Thursday, January 12, 2017	11:59 PM ET
All bid guarantees due to Financial Services Administrator	This step is not applicable for the Practice Auction	
Practice Auction participants approved and account representatives (PAR and AARs) notified	Monday, January 16, 2017	10:00 AM ET
Practice Auction Exchange Rate (FX Rate) and Practice Auction Reserve Price posted to Auction Platform	Tuesday, January 17, 2017	9:00 AM ET
Practice Auction held	Tuesday, January 17, 2017	Bidding window open 1:00 PM – 4:00 PM ET

¹ Under O. Reg.144/16 “The Cap and Trade Program” 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). O. Reg. 144/16 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.

Activities	Due Date	Eastern Time (ET)
<p>Auction Summary Results Report released to the public</p> <div style="border: 1px solid red; padding: 5px;"> <p>Practice Auction Notes</p> <ul style="list-style-type: none"> The Practice Auction Summary Report will not contain practice bidding results. </div>	January 18, 2017	3:00 PM ET
<p>Auction Certified / Auction results available to qualified bidders</p> <div style="border: 1px solid red; padding: 5px;"> <p>Practice Auction Notes</p> <ul style="list-style-type: none"> The Practice Auction will not be certified and the Practice Auction results will not be available to qualified bidders in the Auction Platform. </div>	This step is not applicable for the Practice Auction	
Financial settlement in cash due to Financial Services Administrator	This step is not applicable for the Practice Auction	
Distribution of auction proceeds completed	This step is not applicable for the Practice Auction	
Transfer of allowances into CITSS Accounts	This step is not applicable for the Practice Auction	
Ontario Post-Auction Public Proceeds Report released	This step is not applicable for the Practice Auction	
Earliest date for bid guarantee expiration	This step is not applicable for the Practice Auction	

Procedures for Conducting the Auction

Practice Auction Notes

- Bid guarantee **will not** be submitted to the Financial Services Administrator for the Ontario Practice Auction.
- Representatives of participants will receive notification of approval to participate in the Practice Auction **the day before** the Practice Auction on January 16, 2017

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

As described above, each participant must submit an application for an auction. 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 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 document with specific examples provided in the Auction Examples document.

Form and Manner for Submitting Bids

Practice Auction Notes

- The requirements for submitting bids in the Practice Auction are the same as anticipated for an actual 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 bidding window. Bid quantities can only be submitted in multiples of 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 document with specific examples provided in the Auction Examples document.



Auction Participant Training Materials

An Auction Participant Training presentation is available upon request from the Ontario Ministry of the Environment and Climate Change (MOECC). The presentation includes information on administrative and regulatory requirements for auction participation, the auction application process, bid guarantee submission, bid submission, settlement price determination, and the financial settlement processes for auctions.

Training materials are also available on the Auction Platform, and include a calendar of upcoming activities, Frequently Asked Questions (FAQs), the Auction Participant Training presentation, 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.