

Regional Greenhouse Gas Initiative

an initiative of the Northeast and Mid-Atlantic States of the U.S.

Auction Notice for CO₂ Allowance Auction 21 on September 4, 2013

States offering CO₂ allowances for sale:

**Connecticut, Delaware, Maine, Maryland, Massachusetts,
New Hampshire, New York, Rhode Island, and Vermont**

Issued on July 8, 2013

**Administered by RGGI, Inc.
90 Church Street, 4th Floor, New York, New York 10007**



The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by participating states to reduce emissions of carbon dioxide (CO₂), a greenhouse gas that causes global warming.

RGGI, Inc. is a non-profit corporation created to provide technical and administrative services to the CO₂ Budget Trading Programs of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont.

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1 **General Information**

This document, *Auction Notice for CO₂ Allowance Auction 21 on September 4, 2013* (“*Auction Notice*”), is the official notification for CO₂ Allowance Auction 21 (“Auction 21”). CO₂ Allowance Auction 21 will offer allocation year 2013 allowances for sale.

Auction 21 will include current control period allowances from Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont. All allowances offered for sale in Auction 21 will be recognized for compliance purposes without limitation by the Participating States, in accordance with each state's regulations.

Auction 21 is scheduled to take place from 9:00 AM ET¹ until 12:00 PM ET on Wednesday, September 4, 2013. The *Auction Notice* provides information about eligibility, auction format and procedures, and participation requirements.

All relevant documents referenced in this *Auction Notice*, including the *Qualification Application – Version 3.1* (“*Qualification Application*”) and the *Intent to Bid for CO₂ Allowance Auction 21 on September 4, 2013* (“*Intent to Bid*”), can be found in an electronic format at http://www.rggi.org/market/co2_auctions (“Auction Website”).

1.1 **Introduction**

The Regional Greenhouse Gas Initiative (“RGGI”) is a cooperative effort by Northeastern and Mid-Atlantic States to reduce carbon dioxide emissions from power plants through the implementation of a linked CO₂ Budget Trading Program by each state. The states participating in Auction 21 are: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont, referred to in this *Auction Notice* as the “Participating States.”² Regional Greenhouse Gas Initiative, Inc. (“RGGI, Inc.”) is a non-profit corporation created to provide technical and administrative services to the Participating States in the development and implementation of their CO₂ Budget Trading Programs.

More details about RGGI and RGGI, Inc. can be found at <http://www.rggi.org> and <http://www.rggi.org/rggi>, respectively.

To support the CO₂ Budget Trading Programs, the Participating States implemented a regional auction platform to sell CO₂ allowances (“Auction Platform”), which is managed by the RGGI CO₂ Budget Trading Programs Auction Manager (“Auction Manager”). All of the Participating States are offering CO₂ allowances for sale in Auction 21. Auction 21 is authorized by and will be conducted in accordance with the authority of each Participating State and each will retain the authority to make its own regulatory determinations in conducting Auction 21. This *Auction Notice* is authorized by, and in accord with, each Participating State's statutory and/or regulatory authority.

Contact information for the Auction Manager is as follows:

RGGI CO₂ Budget Trading Programs Auction Manager
c/o World Energy Solutions, Inc.

¹ Throughout this Notice, ET, or EPT on the Auction Platform, refers to the prevailing local time in New York City in the United States of America.

² New Jersey Withdrawal of Agreement to RGGI Memorandum of Understanding is available at http://www.rggi.org/docs/Documents/NJ-Statement_112911.pdf

100 Front Street, 20th Floor
 Worcester, MA 01608
 Phone: 800.578.0718
 Email: auctionmanager@worldenergy.com

1.2 What's New

The following are the major changes to the process and documents from CO₂ Allowance Auction 20:

- New language in sections 7.2.3.1 through 7.2.3.4 clarifying how to identify associations and an updated corresponding *Qualification Application – Version 3.1*, Form 6.

1.3 Auction Schedule

Table 1 presents the current schedule for all events associated with Auction 21 (“Auction Schedule”). Please note that times and dates in the schedule are subject to change. Any change to the Auction Schedule will be reflected on the Auction Website and emailed to the Authorized Auction Representative(s).

Event	Date	Time
Release auction documents <ul style="list-style-type: none"> • <i>Auction Notice</i> • <i>Qualification Application</i> • <i>Intent to Bid</i> 	Tuesday, July 9, 2013	No later than 8:00 AM ET
Open online question window	Tuesday, July 9, 2013	8:00 AM ET
Hold webinar	Thursday, July 11, 2013	2:00 to 4:00 PM ET
Close online question window	Friday, July 12, 2013	5:00 PM ET
Update FAQs, as needed	Wednesday, July 17, 2013	No later than 12:00 PM ET
Auction documents due³ <ul style="list-style-type: none"> • <i>Qualification Application</i> • <i>Intent to Bid</i> 	Wednesday, July 24, 2013	No later than 5:00 PM ET
Auction Manager sends remediation notification and instructions to each Applicant <ul style="list-style-type: none"> • <i>Qualification Application</i> • <i>Intent to Bid</i> 	Wednesday, July 31, 2013	No later than 3:00 PM ET
Remediated auction documents due, where applicable	Wednesday, August 14, 2013	No later than 5:00 PM ET
Auction Manager sends qualification status to each Applicant	Tuesday, August 20, 2013	No later than 5:00 PM ET
Auction Manager distributes usernames & passwords	Tuesday, August 20, 2013	No later than 5:00 PM ET
Hold Auction Platform training sessions	Monday, August 26, 2013	1:00 to 4:00 PM ET
Hold Auction Platform training sessions	Tuesday, August 27, 2013	1:00 to 4:00 PM ET
Financial security due	Wednesday, August 28, 2013	No later than 5:00 PM ET
Auction Manager sends notification of participation status	Friday, August 30, 2013	No later than 8:00 AM ET
Hold Auction 21	Wednesday, September 4, 2013	9:00 AM to 12:00 PM ET
Auction 21 clearing price posted at	Friday, September 6, 2013	10:00 AM ET

³ All due dates specified in the *Auction Notice* refer to the date and time on which the item(s) must be received by the Auction Manager.

Event	Date	Time
http://www.rggi.org . Immediately following posting of clearing price, bidders can log on to Auction Platform to view Auction 21 awards.		
Optional cash settlement due	Wednesday, September 11, 2013	No later than 5:00 PM ET
Unused cash financial security returned	Wednesday, September 18, 2013	No later than 5:00 PM ET
Allowance transfer and confirmation	Thursday, September 19, 2013	No later than 5:00 PM ET

Table 1: Auction Schedule

1.4 CO₂ Allowances to be Auctioned

CO₂ allowances, in quantities identified in Table 2, are scheduled to be offered for sale in Auction 21. The allowances are comprised of allocation year 2013 CO₂ allowances, as well as, 26 allocation year 2012 CO₂ allowances, 403,259 allocation year 2011 CO₂ allowances, and 365,994 allocation year 2010 CO₂ allowances from state set aside accounts⁴.

State	CO ₂ Allowances	%
Connecticut	2,776,713	7.2%
Delaware	1,445,307	3.8%
Maine	1,204,115	3.1%
Maryland	8,739,921	22.8%
Massachusetts	6,331,798	16.5%
New Hampshire	1,650,162	4.3%
New York	15,347,549	40.0%
Rhode Island	625,254	1.6%
Vermont	288,224	0.8%
Total	38,409,043	100.0%

Table 2: CO₂ Allowances Offered for Sale in Auction 21

1.5 Eligibility

All parties and categories of bidders are eligible to participate in Auction 21. However, to participate in Auction 21, a party must meet all other participation requirements and follow all procedures outlined in this *Auction Notice*.

2 Participation Requirements

Participation in Auction 21 is open to both previously qualified applicants and new applicants, as set forth below.

2.1 Previously Qualified Applicant

A previously qualified applicant with a material change to the information previously submitted in its qualification application becomes a new applicant and must:

1. Maintain a compliance or general account in the RGGI CO₂ Allowance Tracking System as set forth in Section 2.4;

⁴ As specified in state regulations, allocation year 2010, 2011, and 2012 CO₂ allowances available for auction in calendar year 2013 are the result of unused CO₂ allowances from Participating State set aside accounts.

2. Complete and submit the *Qualification Application* as set forth in Section 2.6;
3. Complete and submit the *Intent to Bid* as set forth in Section 2.7; and
4. Meet the financial security requirements as set forth in Section 2.9.

Specific criteria outlining what constitutes a material change to the information previously submitted in its qualification application are provided in the *Intent to Bid* “Form 1 – Intent to Bid and Material Change.”

A previously qualified applicant without a material change to the information previously submitted in its qualification application is not required to complete and submit a new *Qualification Application*. In order to participate in Auction 21, such applicant must:

1. Complete and submit the *Intent to Bid* as set forth in Section 2.7; and
2. Meet the financial security requirements as set forth in Section 2.9.
3. Issuance of the new *Qualification Application – Version 3.1*, Form 6, does affect the qualification status of a previously qualified applicant. Previously qualified applicants will submit the new *Qualification Application – Version 3.1*, Form 6, when they have a material change.

2.2 New Applicant

In order to become qualified and participate in Auction 21, each new applicant must:

1. Maintain a compliance or general account in the RGGI CO₂ Allowance Tracking System as set forth in Section 2.4;
2. Complete and submit the *Qualification Application* as set forth in Section 2.6;
3. Complete and submit the *Intent to Bid* as set forth in Section 2.7; and
4. Meet the financial security requirements as set forth in Section 2.9.

Once qualified for Auction 21, an applicant is qualified to participate in any future CO₂ Allowance Auction held by the Participating States,⁵ unless there has been a material change to information submitted in the approved qualification application.

2.3 Applicant

Throughout the rest of the *Auction Notice*, the term “Applicant” is used to refer to both a previously qualified applicant and a new applicant.

2.4 RGGI CO₂ Allowance Tracking System Account

Each Applicant must possess an active RGGI CO₂ Allowance Tracking System (“RGGI COATS”) compliance or general account. The RGGI COATS account number provided on the *Qualification Application* is the account into which all awarded CO₂ allowances from Auction 21 will be transferred.⁶

⁵ If an additional state or region joins RGGI for a future auction, that state or region may have additional qualification requirements.

⁶ Note that a change to the RGGI COATS account on file with the Auction Manager constitutes a material change to the *Qualification Application* (see *Intent to Bid* “Form 1 – Intent to Bid and Material Change”).

An Applicant that has yet to open a RGGI COATS account is strongly advised to do so immediately.

The current version of the RGGI COATS accommodates the creation and management of general accounts as well as the management of compliance accounts that have been approved for creation in the RGGI COATS by the state in which the CO₂ budget source is located.

For a compliance account, each CO₂ authorized account representative⁷ will receive an email notification from the RGGI COATS when its compliance account has been created. This communication will include its account number. Authorized account representatives of created accounts may also retrieve account numbers by logging into the RGGI COATS at www.rggi-coats.org and clicking the "Accounts" menu item. If a state has not approved the creation of a compliance account by the *Qualification Application* deadline, then a general account must be registered for the auction.⁸

To open a general account, each Applicant must go to <http://www.rggi-coats.org> and request to be a user of the RGGI COATS. The RGGI COATS user request process requires the submission of a User Login Request Form in hard copy to the RGGI COATS administrator before the Applicant may submit a general account application in the RGGI COATS.

A RGGI COATS Authorized Account Representative may freely transfer CO₂ allowances between any accounts, compliance or general.

2.5 Authorized Auction Representatives

The Primary Authorized Auction Representative ("PAAR") represents the Applicant in any CO₂ Allowance Auction in which the Applicant participates. The PAAR, who must be an employee of the Applicant (if the Applicant is not an individual person), receives a unique username and password for the Auction Platform, allowing him/her to submit bids in the CO₂ Allowance Auction in which the Applicant is approved to participate. The PAAR must complete and submit the *Qualification Application* as set forth in Section 2.6. The PAAR serves as the primary contact for all communications regarding the *Qualification Application*, the *Intent to Bid*, all notices and documentation, and any other information related to a CO₂ Allowance Auction(s). The principal mode of communication is email and the internet.

While not required, it is recommended that the PAAR be the same person designated as the RGGI COATS authorized account representative for the Applicant's RGGI COATS account.

While not required, it is recommended that the Applicant designate a Secondary Authorized Auction Representative ("SAAR"). The SAAR does not have to be an employee of the Applicant. Once designated, the SAAR will be authorized to (1) submit bids on behalf of the Applicant in any CO₂ Allowance Auction; (2) submit an *Intent to Bid* on behalf of the Applicant for any CO₂ Allowance Auction; and (3) act on behalf of the Applicant in the remediation of the *Qualification Application* and/or any *Intent to Bid*. The SAAR receives the same username and password for

⁷ For a CO₂ budget source and each CO₂ budget unit at the source, the natural person who is authorized by the owners and operators of the source and all CO₂ budget units at the source, in accordance with the CO₂ Budget Trading Programs, to represent and legally bind each owner and operator in matters pertaining to the CO₂ Budget Trading Programs or, for a general account, the natural person who is authorized, under the CO₂ Budget Trading Programs, to transfer or otherwise dispose of CO₂ allowances held in the general account.

⁸ For more information regarding compliance accounts, contact the appropriate staff for the state in which a CO₂ budget source is located (see Section 9).

the Auction Platform, allowing him/her to submit bids in the CO₂ Allowance Auction for which the Applicant is approved to participate. The SAAR also receives all communications regarding the *Qualification Application*, the *Intent to Bid*, all notices and documentation, and any other information related to a CO₂ Allowance Auction(s). The principal mode of communication is email and the internet.

Applicants qualified prior to Auction 7 that wish to authorize the SAAR to act on behalf of the Applicant as described above must submit the "SAAR Authorization Form" contained in Appendix G.

The integrity of each CO₂ Allowance Auction depends upon each Authorized Auction Representative safeguarding confidential information and passwords used in each CO₂ Allowance Auction. An Authorized Auction Representative can represent more than one (1) Applicant; however the Applicants must have either a direct or indirect Corporate or Bidding Association that must be disclosed in the *Qualification Application*. Each Authorized Auction Representative must ensure that only authorized persons act on behalf of an Applicant in a CO₂ Allowance Auction.

2.6 Qualification Application Submittal and Review

To participate in Auction 21, each new applicant must submit a fully completed *Qualification Application*. The *Qualification Application* must be received by the Auction Manager no later than 5:00 PM ET on Wednesday, July 24, 2013. Submission instructions are contained in the *Qualification Application*.

Each Participating State will review each *Qualification Application* and make a determination to grant or deny qualification in the following manner:

1. The Auction Manager will confirm receipt of each *Qualification Application* via email no later than 5:00 PM ET on the day it is received.
2. Failure to provide any information required in the *Qualification Application* will result in the *Qualification Application* being deemed incomplete or otherwise deficient. Each new applicant will be notified via email no later than 3:00 PM ET on Wednesday, July 31, 2013 whether or not its *Qualification Application* has been deemed incomplete or otherwise deficient, and the reason(s) for the determination.
3. The new applicant will have until 5:00 PM ET on Wednesday, August 14, 2013 to remediate the *Qualification Application*, such as providing additional information or fixing inconsistencies between applications from associated applicants. Failure to remediate the *Qualification Application* may result in the denial of qualification.
4. Each Participating State will review each new applicant's *Qualification Application* and make a determination to grant or deny qualification to each new applicant.
5. Each new applicant will be notified via email no later than 5:00 PM ET on Tuesday, August 20, 2013 as to whether its qualification has been granted or denied.

2.6.1 Review of Previously Qualified Applicants from Auction 1

To participate in Auction 21, a previously qualified applicant without a material change to the information previously submitted in its qualification application that last submitted an *Intent to Bid* for Auction 1 must be qualified by the three states that did not offer CO₂ allowances for sale

in CO₂ Allowance Auction 1.⁹ For each such previously qualified applicant that submits an *Intent to Bid* for Auction 21, each of these three states will make a determination to grant or deny qualification based on its previously submitted qualification application. Each such previously qualified applicant will be notified via email no later than 5:00 PM ET on Tuesday, August 20, 2013, as to the determination of qualification status by these three states.

2.7 Intent to Bid Submittal and Review

To participate in Auction 21, each Applicant must submit a fully completed *Intent to Bid*. The *Intent to Bid* must be received by the Auction Manager no later than 5:00 PM ET on Wednesday, July 24, 2013. Submission instructions are contained in the *Intent to Bid*.

Each Participating State will review and determine the completeness of each *Intent to Bid* in the manner described below. In addition, each Participating State will also review an Applicant's previously submitted *Qualification Application* to evaluate whether there may have been a material change to previously submitted information, as described below:

1. The Auction Manager will confirm receipt of each *Intent to Bid* via email no later than 5:00 PM ET on the day it is received.
2. Failure to provide any information required in the *Intent to Bid*¹⁰ will result in the *Intent to Bid* being declared incomplete. Failure to submit a *Qualification Application* due to a material change to the information previously submitted will result in the *Qualification Application* and *Intent to Bid* being deemed incomplete or otherwise deficient. Each Applicant will be notified via email no later than 3:00 PM ET on Wednesday, July 31, 2013 whether or not its *Intent to Bid* and/or *Qualification Application* has been deemed incomplete or otherwise deficient and the reason(s) for the determination.
3. The Applicant will have until 5:00 PM ET on Wednesday, August 14, 2013 to:
 - A. Remediate the *Intent to Bid*, such as providing additional or complete information. Failure to remediate may result in the Applicant's *Intent to Bid* being deemed incomplete.
 - B. Remediate the *Intent to Bid* and/or submit a new *Qualification Application* by the remediation deadline, such as providing additional information or fixing inconsistencies between applications from associated applicants. Failure to remediate the *Intent to Bid* may result in the Applicant's *Intent to Bid* being deemed incomplete. Failure to remediate the *Qualification Application* may result in the denial of qualification.
4. Each Participating State will review each Applicant's *Intent to Bid* and make a determination as to the completeness of each Applicant's *Intent to Bid*.
5. Each Applicant will be notified via email no later than 5:00 PM ET on Tuesday, August 20, 2013 as to whether its *Intent to Bid* is determined complete or not.

⁹ Delaware, New Hampshire, and New York.

¹⁰ Please note that for previously qualified applicants with Corporate or Bidding Associations, submission of a new *Qualification Application* by an associated applicant could impact the qualification status of the other associated applicants. In the event an associated applicant submits a new *Qualification Application* that specifies inconsistent information regarding Corporate or Bidding Associations, all the previously qualified associated applicants that submit a *Qualification Application* and/or *Intent to Bid* for Auction 20, will be sent a remediation notice .

2.8 Potential Bidder

Each Applicant that has been qualified and submitted a complete *Intent to Bid* is referred to as a "Potential Bidder."

2.9 Submittal of Financial Security

To participate in Auction 21, financial security, in United States dollars ("USD"), must be received no later than 5:00 PM ET on Wednesday, August 28, 2013. The amount of financial security provided for Auction 21 will be used to set bidding limitations in the auction. To determine how much financial security to provide in Auction 21, see Section 7.2.2.

Only three forms of financial security are acceptable: (1) a bond issued by a financial institution with a United States banking license, (2) cash in the form of a wire transfer or certified funds, such as a certified bank check or cashier's check, or (3) an irrevocable letter of credit ("ILOC") issued by a financial institution with a United States banking license. Potential Bidders may combine any of these forms of financial security.

Details of these forms of financial security are set forth below. Interest will not be paid on any financial security provided. Each Potential Bidder should be sure to allow sufficient time for the delivery of financial security by consulting with its banker well before the financial security due date.

RGGI, Inc. acts as agent for the Participating States for the purpose of financial settlement for RGGI CO₂ allowance auctions. All cash financial security is held in an account at The Bank of New York Mellon controlled by RGGI, Inc., as agent for the states offering CO₂ allowances for sale in Auction 21 and subject to the terms in the *Auction Notice*. As a part of the financial settlement of each auction, excess cash financial security will be promptly returned to bidders.

On behalf of RGGI, Inc., the Auction Manager receives and maintains any ILOCs and bonds that are submitted as financial security. As part of the financial settlement of each auction, unexecuted ILOC and bond will be cancelled according to the instructions of bidders.

2.9.1 Providing Financial Security by Bond

The executable bond, issued by the financial institution, must be received by the Auction Manager no later than 5:00 PM ET on Wednesday, August 28, 2013 at the following address:

RGGI CO₂ Budget Trading Programs Auction Manager
c/o World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: 800.578.0718

The form of bond is provided in Appendix A and on the Auction Website as a Microsoft Word document. No material changes will be permitted to the form of bond. To the extent the submitted bond differs from the form provided in the *Auction Notice*, the Potential Bidder assumes the risk that the bond may be rejected. The party named as "Principal" in the bond must be identical to that named in the Applicant's *Qualification Application* and *Intent to Bid*. The expiration date of the bond must be no earlier than Thursday, September 19, 2013.

A courtesy copy of the bond in portable document format ("PDF") may be sent for information purposes only to the Auction Manager at auctionmanager@worldenergy.com.

Bonds will be returned after they expire. Unless otherwise requested that a bond be returned, each bond with an expiration date extending beyond Thursday, September 19, 2013, will continue to be held by RGGI, Inc. as valid financial security for any future CO₂ Allowance Auction.¹¹

2.9.2 Providing Financial Security by Cash (Wire Transfer)

Cash wire transfers must be received by The Bank of New York Mellon no later than 5:00 PM ET on Wednesday, August 28, 2013. All potential bidders will be emailed the details for submitting cash by wire transfer no later than 5:00 PM ET on Tuesday, August 20, 2013. The cash wire details will include the Receiving Bank address, Originating Bank Information ("OBI Field"), Beneficiary name and account number and ABA routing number. The Potential Bidder is responsible for obtaining confirmation from its financial institution that The Bank of New York Mellon has received the financial security and deposited it in the proper account.

Each Potential Bidder submitting cash by wire transfer must also complete and submit the "Wire Transfer Remittance Form for CO₂ Allowance Auction 21" to the Auction Manager, which is contained in Appendix B and on the Auction Website as an editable Microsoft Word document. This form must be faxed or emailed to the following address on or before the day of the wire transfer and no later than 5:00 PM ET on Wednesday, August 28, 2013 to ensure that the financial security is credited to the appropriate Potential Bidder:

RGGI CO₂ Budget Trading Programs Auction Manager
Fax: 508.459.8101
Email: auctionmanager@worldenergy.com

Unused wire transfer balances will be returned via Automated Clearing House ("ACH") credit no later than 5:00 PM ET on Wednesday, September 18, 2013.

The Auction Manager may request that a newly qualified potential bidder submit just their ACH credit information prior to Wednesday, August 28, 2013. Any such request will be e-mailed no later than 5:00 PM ET on Tuesday, August 20, 2013.

Each Potential Bidder should check with their financial institution to determine whether their account can receive an ACH credit. Accurate and complete ACH information is necessary to ensure the transaction is completed on a timely basis. If an ACH transaction fails, the Auction Manager will contact the bidder to resolve the issue. ACH transactions will be resubmitted no fewer than ten (10) business days after the first ACH transaction.

2.9.3 Providing Financial Security by Cash (Certified Funds)

Certified funds in the form of a certified bank check or cashier's check must be received by the Auction Manager no later than 5:00 PM ET on Wednesday, August 28, 2013 at the following address:

RGGI CO₂ Budget Trading Programs Auction Manager
c/o World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608

¹¹ Provided such bond meets the minimum expiration date outlined in the applicable auction notice of the subsequent CO₂ Allowance Auction(s).

Phone: 800.578.0718

All potential bidders will be emailed the details for submitting cash by a certified bank check or cashier's check no later than 5:00 PM ET on Tuesday, August 20, 2013. All checks must be made out to "Regional Greenhouse Gas Initiative, Inc. As Agent" and will be deposited into RGGI, Inc.'s account at The Bank of New York Mellon. The financial security will be credited at the time the check clears. A certified bank check or cashier's check must be accompanied by the "Certified Funds Remittance Form for CO₂ Allowance Auction 21," which is contained in Appendix C and on the Auction Website as an editable Microsoft Word document. In addition, a copy of this form must be faxed or emailed to the Auction Manager at the following address on or before the day the certified bank check or cashier's check is mailed to RGGI, Inc. and no later than 5:00 PM ET on Wednesday, August 28, 2013 to ensure that the financial security is credited to the appropriate Potential Bidder:

RGGI CO₂ Budget Trading Programs Auction Manager

Fax: 508.459.8101

Email: auctionmanager@worldenergy.com

Unused cash balances will be returned via ACH credit no later than 5:00 PM ET on Wednesday, September 18, 2013.

The Auction Manager may request that a newly qualified potential bidder submit just their ACH credit information prior to Wednesday, August 28, 2013. Any such request will be e-mailed no later than 5:00 PM ET on Tuesday, August 20, 2013.

Each Potential Bidder should check with their financial institution to determine whether their account can receive an ACH credit. Accurate and complete ACH information is necessary to ensure the transaction is completed on a timely basis. If an ACH transaction fails, the Auction Manager will contact the bidder to resolve the issue. ACH transactions will be resubmitted no fewer than ten (10) business days after the first ACH transaction.

2.9.4 Providing Financial Security by Irrevocable Letter of Credit

The executable ILOC, issued by the financial institution, must be received by the Auction Manager no later than 5:00 PM ET on Wednesday, August 28, 2013 at the following address:

RGGI CO₂ Budget Trading Programs Auction Manager

c/o World Energy Solutions, Inc.

100 Front Street, 20th Floor

Worcester, MA 01608

Phone: 800.578.0718

The form of ILOC is provided in Appendix D and on the Auction Website as a Microsoft Word document. No material changes will be permitted to the form of ILOC. To the extent the submitted ILOC differs from the form provided in the *Auction Notice*, the Potential Bidder assumes the risk that the submitted ILOC may be rejected. The party named as "Applicant" in the ILOC must be identical to that named in the Applicant's *Qualification Application* and *Intent to Bid*. The expiration date of the ILOC must be no earlier than Thursday, September 19, 2013.

A courtesy copy of ILOC in PDF may be sent for information purposes only to the Auction Manager at auctionmanager@worldenergy.com.

ILOCs will be returned after they expire. Unless otherwise requested that an ILOC be returned, each ILOC with an expiration date extending beyond Thursday, September 19, 2013 will continue to be held by RGGI, Inc. as valid financial security for any future CO₂ Allowance Auction.¹²

2.10 Auction Participation Notification

Each Potential Bidder that has successfully met the financial security requirements outlined in Section 2.9 may bid in Auction 21. Each Potential Bidder will be notified no later than 8:00 AM ET on Friday, August 30, 2013 whether or not it is approved to participate in Auction 21.

3 Confidential Information

To maintain the integrity of Auction 21, an Applicant may not publicly release Confidential Information regarding the auction. Confidential Information includes, but is not limited to, qualification status, bidding strategy, bid price and/or bid quantity information, and information on financial security to the extent such information is not generally available to the public.

If the Applicant has retained an advisor, defined as an entity or person(s) advising or assisting the Applicant with bidding strategy in Auction 21, who is providing similar advice or assistance to another Applicant, or who will be privy to Confidential Information relative to any other applicant, then the Applicant must ensure appropriate protections against the advisor serving as a conduit of information or coordination between or among Applicants.

An Applicant may assert that it considers information submitted in the *Qualification Application* and *Intent to Bid* to be confidential by checking the box at the bottom of each form. Information contained in the *Qualification Application* and *Intent to Bid* will be held confidential by the Participating States to the extent permitted by applicable state laws, except that after the close of the auction, the Participating States may release certain aggregate information concerning the Auction 21 results as well as the names of potential bidders.

4 Limitation on Communication

If, an Applicant has entered into, or expects to enter into, a Corporate Association or Bidding Association as described in sections 7.2.3.1 through 7.2.3.3, the Applicant must disclose, before the *Qualification Application* and *Intent to Bid* deadline, that association as required in the *Qualification Application*. After the relevant *Qualification Application* and *Intent to Bid* deadline, an Applicant may not enter into any other Bidding Associations.

Applicants may not communicate Confidential Information with any party other than those that the Applicant has identified as part of a Corporate Association or Bidding Association in its qualification application, and such communications are limited to what was reported in the *Qualification Application*, except as requested by the Auction Manager to remediate a *Qualification Application*. An Applicant that makes a material change(s) after the relevant *Qualification Application* filing deadline may not participate in Auction 21.

5 Market Monitor

RGGI, Inc. has retained the services of an independent market monitor that will monitor the auction and provide ongoing monitoring of CO₂ allowance holdings and CO₂ allowance

¹² Provided such ILOC meets the minimum expiration date outlined in the applicable auction notice of the subsequent CO₂ Allowance Auction(s).

transaction activity, among other activities. The market monitor will monitor bidder behavior in each auction and report to the Participating States any activities that may have a material impact on the efficiency and performance of the auction.

Any fraudulent, misleading, manipulative, collusive, or noncompetitive behavior in a CO₂ Allowance Auction or in the CO₂ allowance market may be investigated and prosecuted in accordance with any and all applicable regulations and laws.

6 Pre-auction Process

This section describes pre-auction activities that will occur following the release of this *Auction Notice*.

6.1 Webinar

There will be one webinar prior to Auction 21. The webinar will be open to any party interested in participating in Auction 21. The webinar will present the auction format, forms that need to be submitted, and an overview of the qualification process. No questions will be taken during the webinar. The webinar will be held from 2:00 PM ET to 3:00 PM ET on Thursday, July 11, 2013.

To register for the webinar, please go to:

<https://www3.gotomeeting.com/register/449830198>

After registering you will receive a confirmation email containing information about joining the Webinar.

You will be connected to audio using your computer's microphone and speakers (VoIP). A headset is recommended. Or, you may select Use Telephone after joining the Webinar.

Toll-free: 1 877 309 2071

-- OR --

Toll: +1 (909) 259-0034

Access Code: 931-060-175

Audio PIN: Shown after joining the Webinar

To access the webinar slides, go to the Auction Website and download them. The slides for the webinar will be posted on the Auction Website no later than 10:00 AM ET on Wednesday, July 10, 2013.

A recorded version of the webinar will be made available no later than 5:00 PM ET on Tuesday, July 16, 2013 on the Auction Website.

6.2 Electronic Question Submittal

The Auction Website includes a link to submit questions and comments regarding the auction process. A blank email message, addressed to the Auction Manager, will be generated by clicking on this link. Questions can also be sent directly to auctionmanager@worldenergy.com. The question window opens at 8:00 AM ET on Tuesday, July 9, 2013 and closes at 5:00 PM ET on Friday, July 12, 2013.

Email is the sole means to submit a question or comment regarding the *Auction Notice*, *Qualification Application*, and *Intent to Bid*. Questions must be submitted in English and concern only these documents.

To the extent any relevant questions are submitted during the question window that are not currently addressed in the Frequently Asked Questions (“FAQs”), the document will be updated. If updated, the updated FAQs will be reposted on the Auction Website no later than 12:00 PM ET on Wednesday, July 17, 2013.

6.3 Auction Platform Username and Password

Upon notification of qualification, usernames and passwords will be provided.¹³ Usernames and passwords do not expire and will provide continuous access to the Auction Platform. Note that access to the Auction Platform does not automatically provide access to bidding functions for Auction 21—all other participation requirements must be met.

For any username and/or password issues, the Auction Manager can be contacted at:

RGGI CO₂ Budget Trading Programs Auction Manager
c/o World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: 800.578.0718
Email: auctionmanager@worldenergy.com

6.4 Auction Platform Training Sessions

Auction Platform training will be provided only for those qualified to participate in Auction 21. Applicants qualified to participate in Auction 21 can request a training session by contacting the Auction Manager. Identical training sessions will be held Monday, August 26, 2013 and Tuesday, August 27, 2013, both from 1:00 PM ET to 4:00 PM ET. Training materials and directions on how to participate in the Auction Platform training will be provided prior to the training session.

7 Auction Process

This section provides information on how Auction 21 will be conducted.

7.1 Auction Overview

Auction 21 will be conducted using an electronic, internet-based platform that bidders will use to submit bids¹⁴ in a uniform-price, sealed-bid auction format. All bids are first ranked by bid price from high to low. Then, cumulative demand¹⁵ is noted at each bid. The clearing price¹⁶ and CO₂ allowance awards will be determined using these ranked bids according to the following possible scenarios.

¹³ Previously qualified applicants will not be issued new usernames and/or passwords; their current usernames and passwords will remain active.

¹⁴ A bid consists of a price per CO₂ allowance, or bid price, and a quantity of CO₂ allowances, or bid quantity.

¹⁵ The cumulative demand at each bid is the sum of the bid quantities of all bids with bid prices greater than or equal to the bid price of a particular bid, including the bid quantity of a particular bid.

¹⁶ The per CO₂ allowance price at which all CO₂ allowances offered for sale in the auction will be sold.

1. If total demand¹⁷ is less than or equal to the supply of CO₂ allowances offered for sale in the auction, the clearing price is the reserve price. All bids would be awarded CO₂ allowances.
2. If total demand is greater than the supply of CO₂ allowances offered for sale in the auction and,
 - a. the cumulative demand at a bid exactly equals the supply of CO₂ allowances offered for sale in the auction, the clearing price is the bid price of the bid, or bids in the event there are multiple bids with the same bid price, after the marginal bid(s).¹⁸ CO₂ allowances are awarded to all bids with bid prices greater than the clearing price, or
 - b. the cumulative demand never exactly equals the supply of CO₂ allowances offered for sale in the auction at some point, the clearing price is the bid price of the marginal bid(s). CO₂ allowances are awarded to all bids with bid prices greater than the clearing price. In addition, CO₂ allowances are awarded to marginal bid(s) according to the following possible scenarios.
 - i. If there is one marginal bid at the clearing price, that bid will be partially fulfilled with the remaining available supply.
 - ii. If there are multiple marginal bids, the tie will be resolved by a random process. Each tied marginal bid will be assigned a number that is randomly generated by a computer. CO₂ allowances will be awarded to bids in increasing order by the value of their assigned random number until remaining available supply is exhausted. If the last accepted tied marginal bid is for more CO₂ allowances than are available, that bid will be partially fulfilled with the remaining available supply.

Other features of Auction 21 are as follows:

- All bids that exist in the Auction Platform via bidder submission at the close of the auction will be considered binding offers and eligible for award. Contingent bids are not permitted.
- Each bid price must be submitted in dollars and whole cents.
- Each bid quantity must be submitted as a multiple of 1,000.
- Bidders can submit an unlimited number of bids; however, only one bid may be submitted for any given price.
- Bidders can cancel or change their bids at their discretion until the bidding window closes.

The acceptance of a bid by the Participating States constitutes a binding contract for the purchase of the awarded CO₂ allowances, subject to applicable state and federal law. As detailed in section 8.1, the clearing price for Auction 21 will be posted at <http://www.rggi.org> at 10:00 AM ET on Friday, September 6, 2013. Immediately following posting of the clearing price,

¹⁷ The sum of the bid quantities of all bids in the auction.

¹⁸ The marginal bid is the bid that causes cumulative demand for CO₂ Allowances to be greater than or equal to the supply of CO₂ Allowances made available for sale in the auction. If multiple bids cause cumulative demand for CO₂ Allowances to be greater than or equal to the supply of CO₂ Allowances made available for sale in the auction at the same price, then all of these tied bids are considered marginal bids.

bidders can log on to the Auction Platform (<https://rggi.wesplatform.com>) to view the number of CO₂ allowances it has been awarded, if any. The total cost of the awarded CO₂ allowances represents the amount to be paid or drawn from the bidder's financial security.

Table 3 illustrates the bids from a uniform-price, sealed-bid auction format¹⁹ for 100,000 CO₂ allowances.

All bids are ranked by bid price from high to low and cumulative demand is noted at each bid.

Bidder Name	Bid Price	Bid Quantity	Cumulative Demand
Bidder E	\$5.00	27,000	27,000
Bidder A	\$4.95	10,000	37,000
Bidder A	\$4.80	11,000	48,000
Bidder D	\$4.70	20,000	68,000
Bidder B	\$4.10	10,000	78,000
Bidder E	\$4.10	12,000	90,000
Bidder C	\$3.85	10,000	100,000
Bidder E	\$3.80	10,000	110,000
Bidder B	\$3.75	15,000	125,000
Bidder C	\$3.25	20,000	145,000
Bidder A	\$3.05	12,000	157,000
Bidder C	\$3.00	40,000	197,000
Bidder D	\$2.25	16,000	213,000
Bidder A	\$2.15	13,000	226,000

Table 3: Uniform-price, Sealed-bid Auction Format Example

Bidder C's bid for CO₂ allowances at \$3.85 causes cumulative demand to exactly equal the supply of CO₂ allowances offered for sale in the auction, so that bid is the marginal bid and the clearing price is the bid price of the bid after the marginal bid, or \$3.80 per CO₂ allowance. CO₂ allowances are awarded to all bids with bid prices greater than \$3.80 per CO₂ allowance.

In summary, bidders would receive the following awards.

- Bidder A – 21,000 CO₂ allowances at a total cost of \$79,800.
- Bidder B – 10,000 CO₂ allowances at a total cost of \$38,000.
- Bidder C – 10,000 CO₂ allowances at a total cost of \$38,000.
- Bidder D – 20,000 CO₂ allowances at a total cost of \$76,000.
- Bidder E – 39,000 CO₂ allowances at a total cost of \$148,200.

Table 4 also illustrates the bids from a uniform-price, sealed-bid auction format,²⁰ but is designed to highlight the tiebreaking process as well as what happens when the number of CO₂ allowances offered for sale is not evenly divisible by 1,000. Therefore, this example is an auction for 100,100 CO₂ allowances.

All bids are ranked by bid price from high to low and cumulative demand is noted at each bid.

¹⁹ This is merely an example and the values and numbers used in the example were selected to illustrate the auction format and features and in no way should be interpreted as a forecast or opinion of any CO₂ Allowance Auction.

²⁰ See Footnote 18.

Bidder Name	Bid Price	Bid Quantity	Cumulative Demand	Random Number
Bidder E	\$5.00	20,000	20,000	
Bidder A	\$4.50	10,000	30,000	
Bidder B	\$4.10	10,000	40,000	
Bidder D	\$4.05	20,000	60,000	
Bidder E	\$4.00	10,000	70,000	
Bidder A	\$3.95	10,000	80,000	
Bidder C	\$3.85	10,000	90,000	
Bidder E	\$3.75	10,000	125,000	(3)
Bidder D	\$3.75	5,000	125,000	(1)
Bidder A	\$3.75	10,000	125,000	(2)
Bidder B	\$3.75	10,000	125,000	(4)
Bidder A	\$3.25	30,000	155,000	
Bidder C	\$3.00	40,000	195,000	

Table 4: Tiebreaking Process Example

Bidder E, D, A, and B's bid for CO₂ allowances at \$3.75 causes cumulative demand to be greater than the supply of CO₂ allowances offered for sale in the auction, so these bids are the marginal bids and the clearing price is the bid price of the marginal bids, or \$3.75 per CO₂ allowance. CO₂ allowances are awarded to all bids with bid prices greater than \$3.75 per CO₂ allowance.

In addition, the tie amongst the marginal bids, highlighted in blue, must be broken and awarded CO₂ allowances. Breaking the tie requires the generation of a random number that is assigned to each tied bid (see Section 7.1.1). The CO₂ allowances are awarded to each tied bidder in increasing order by the value of their assigned random number until no CO₂ allowances are left.

Bidder D received the random number 1; therefore the remaining CO₂ allowances are awarded to that bidder first. Bidder D's bid for 5,000 CO₂ allowances can be fully satisfied, leaving 5,100 CO₂ allowances to still be awarded. The bidder who received the random number 2 is Bidder A. Bidder A's bid for 10,000 CO₂ allowances cannot be fully satisfied, but the bid is awarded the remaining 5,100 CO₂ allowances. No other tied marginal bid would be awarded any CO₂ allowances since the remaining available supply is exhausted.

In summary, bidders would receive the following awards.

- Bidder A – 25,100 CO₂ allowances at a total cost of \$94,125.
- Bidder B – 10,000 CO₂ allowances at a total cost of \$37,500.
- Bidder C – 10,000 CO₂ allowances at a total cost of \$37,500.
- Bidder D – 25,000 CO₂ allowances at a total cost of \$93,750.
- Bidder E – 30,000 CO₂ allowances at a total cost of \$112,500.

7.1.1 Random Number Generation

The Auction Platform utilizes the built in random number generation capabilities of Microsoft.net. Specifically, the Auction Platform employs the random number generator implemented in Microsoft.net's Random class. Microsoft.net's random number generator, seeded with an integer representing the current time and date from the computer's system, will produce a

sequence of random numbers that meet the statistical requirements for randomness. A detailed description of the random number generating process is outlined below.

The current implementation of the Random class is based on Donald E. Knuth's subtractive random number generator algorithm. For more information, see D. E. Knuth. *The Art of Computer Programming, Volume 2: Seminumerical Algorithms*. Addison-Wesley, Reading, MA, second edition, 1981.

The random number generation starts from a seed value. If the same seed is used repeatedly, the same series of numbers is generated.²¹ Therefore, the random number generator will be seeded with an integer representing the current time and date from the computer's system clock in order to produce a total number of random integers equal to the total number of tied bidders in a CO₂ Allowance Auction. This ensures that a different seed is used for each new instance of Random, i.e. each time it is necessary to break an auction tie. The integer representing the current time and date from the computer's system clock will be created using `DateTime.Now.Ticks`.²² Since only one instance of Random will be created for each auction, concerns regarding the creation of multiple Random objects generating identical sequences of random numbers when called in close succession (due to the system clock being of finite resolution) are not present.

It is important to note that a computer cannot generate truly random numbers. Instead, the computer returns a series of numbers based on a mathematical relationship that simulates "randomness." The "randomness" exhibited by the numbers is a function of the mathematical formula used by the random number generator, which can be assessed against standard tests of randomness. That is why in the literature the output of a random number generator is typically referred to as "pseudo-random numbers." If a very long sequence of numbers (10²³ or 10 trillion) is produced, eventually the sequence will repeat itself. So, while it is true that chosen numbers are not completely random because a definite mathematical algorithm is used to generate them, they are sufficiently random for practical purposes.

7.2 Bid Limitations

The Auction Platform will automatically reject a bid that violates any of the bid limitations outlined below.

7.2.1 Reserve Price Bid Limitation

The reserve price for Auction 21 is \$1.98 per CO₂ allowance. As specified in Participating State regulations, subsequent to 2009 the reserve price is adjusted at the beginning of each calendar year for the U.S. Department of Labor, Bureau of Labor Statistics Consumer Price Index.²³

The Auction Platform will automatically reject any bid entered with a bid price lower than the reserve price.

²¹ <http://msdn.microsoft.com/en-us/library/system.random.aspx>. Last accessed Tuesday, June 25, 2013.

²² A single tick represents one hundred nanoseconds or one ten-millionth of a second. The value of this property represents the number of 100-nanosecond intervals that have elapsed since 12:00:00 midnight, January 1, 001, which represents `DateTime.MinValue`. <http://msdn.microsoft.com/en-us/library/system.datetime.ticks.aspx>. Last accessed Tuesday, June 25, 2013 .

²³ Consumer Price Index (CPI) refers to the unadjusted Consumer Price Index for All Urban Consumers for the U.S. city average, for all items on the latest reference base. The CPI is the twelve month average as of the close of the twelve month period ending August 31st.

The Participating States continue to monitor and analyze market data in determining whether a current market reserve price will be used in future auctions.

7.2.2 Financial Security Bid Limitation

The value of a bidder's bids cannot exceed the amount of a bidder's financial security allocated to the auction. The value of a bidder's bids is the maximum value the bidder would be liable to pay in a uniform-price auction format. To calculate this value, bidder's bids are ranked by bid price from high to low and their individual cumulative demand is noted at each bid price. Each bid price is multiplied by the bidder's individual cumulative demand at that bid price to calculate a bid value. The largest bid value calculated and therefore the maximum cost, is the total value of the bidder's bids and is counted against the financial security bid limit. The Auction Platform will automatically reject a bid that would cause the maximum bid value of a bidder's bids to exceed the amount of a bidder's financial security.

This example in Table 5 demonstrates the way the value of a bidder's bids is calculated, using the bids from Table 3 to assist bidders in determining how much financial security they should submit.

Bidder Name	Bid Price	Bid Quantity	Cumulative Demand		Bid Value at each Bid Price
Bidder A	\$4.95	10,000	10,000	If this bid is accepted, Bidder A wins 10,000 CO ₂ allowances and pays at most \$4.95 per CO ₂ allowance	\$49,500.00
Bidder A	\$4.80	11,000	21,000	If this bid is accepted, Bidder A wins 21,000 CO ₂ allowances and pays at most \$4.80 per CO ₂ allowance	\$100,800.00 ←
Bidder A	\$3.05	12,000	33,000	If this bid is accepted, Bidder A wins 33,000 CO ₂ allowances and pays at most \$3.05 per CO ₂ allowance	\$100,650.00
Bidder A	\$2.15	13,000	46,000	If this bid is accepted, Bidder A wins 46,000 CO ₂ allowances and pays at most \$2.15 per CO ₂ allowance	\$98,900.00
				Bidder A's maximum bid value is counted against the financial security bid limitation	\$100,800.00
Bidder B	\$4.10	10,000	10,000	If this bid is accepted, Bidder B wins 10,000 CO ₂ allowances and pays at most \$4.10 per CO ₂ allowance	\$41,000.00
Bidder B	\$3.75	15,000	25,000	If this bid is accepted, Bidder B wins 25,000 CO ₂ allowances and pays at most \$3.75 per CO ₂ allowance	\$93,750.00 ←
				Bidder B's maximum bid value is counted against the financial security bid limitation	\$93,750.00
Bidder C	\$3.85	10,000	10,000	If this bid is accepted, Bidder C wins 10,000 CO ₂ allowances and pays at most \$3.85 per CO ₂ allowance	\$38,500.00
Bidder C	\$3.25	20,000	30,000	If this bid is accepted, Bidder C wins 30,000 CO ₂ allowances and pays at most \$3.25 per CO ₂ allowance	\$97,500.00

Bidder Name	Bid Price	Bid Quantity	Cumulative Demand		Bid Value at each Bid Price	
Bidder C	\$3.00	40,000	70,000	If this bid is accepted, Bidder C wins 70,000 CO ₂ allowances and pays at most \$3.00 per CO ₂ allowance	\$210,000.00	←
				Bidder C's maximum bid value is counted against the financial security bid limitation	\$210,000.00	
Bidder D	\$4.70	20,000	20,000	If this bid is accepted, Bidder D wins 20,000 CO ₂ allowances and pays at most \$4.70 per CO ₂ allowance	\$94,000.00	←
Bidder D	\$2.25	16,000	36,000	If this bid is accepted, Bidder D wins 36,000 CO ₂ allowances and pays at most \$2.25 per CO ₂ allowance	\$81,000.00	
				Bidder D's maximum bid value is counted against the financial security bid limitation	\$94,000.00	
Bidder E	\$5.00	27,000	27,000	If this bid is accepted, Bidder E wins 27,000 CO ₂ allowances and pays at most \$5.00 per CO ₂ allowance	\$135,000.00	
Bidder E	\$4.10	12,000	39,000	If this bid is accepted, Bidder E wins 39,000 CO ₂ allowances and pays at most \$4.10 per CO ₂ allowance	\$159,900.00	
Bidder E	\$3.80	10,000	49,000	If this bid is accepted, Bidder E wins 49,000 CO ₂ allowances and pays at most \$3.80 per CO ₂ allowance	\$186,200.00	←
				Bidder E's maximum bid value is counted against the financial security bid limitation	\$186,200.00	

Table 5: Maximum Bid Value of Bidder's Bids Example

In summary, the following illustrates the value of each bidder's bids counted against their financial security bid limitation.

- Bidder A – \$100,800.00.
- Bidder B – \$93,750.00.
- Bidder C – \$210,000.00.
- Bidder D – \$94,000.00.
- Bidder E – \$186,200.00.

7.2.3 Quantity of CO₂ Allowances Bid Limitation

The maximum number of CO₂ allowances that any Applicant, or group of associated applicants, may bid for in a single auction is 25% of the CO₂ allowances offered for sale in that auction.

Bid limitations based on previously disclosed Corporate and Bidding Associations will be carried forward and applied to Auction 21.

Any change to the previously disclosed Corporate or Bidding Associations, including changes to bid limitations, constitutes a material change requiring the filing of a new *Qualification Application*.

Each Applicant must comply with Section 4 (Limitation on Communication). Applicants are associated if they have ties that could allow them to act in concert or that could prevent them from competing actively against each other in a CO₂ Allowance Auction. Corporate and Bidding Associations that must be reported in the *Qualification Application* are listed below. Failure to disclose any of these types of associations may result in denial or revocation of an Applicant's qualification status.

The Auction Platform will automatically reject any bid that would cause the quantity of a bidder's bids to exceed the amount allowed by Corporate and Bidding Associations .

7.2.3.1 Identifying Direct and Indirect Corporate Associations

Corporate Associations, which can either be direct or indirect, must be reported in the *Qualification Application*.

- An Applicant has a “direct Corporate Association” with another Applicant if one of the Applicants:
 - Holds more than 20% of any class of listed shares, the right to acquire such shares, or any option to purchase such shares of the other Applicant
 - Holds or can appoint more than 20% of common directors of the other Applicant
 - Holds more than 20% of the voting power of the other Applicant
 - Controls the other Applicant's affairs through some other means, for example, the terms of a general partnership agreement
- An Applicant has an “indirect Corporate Association” with another Applicant if one of these Applicants has a direct Corporate Association with another party that has a direct Corporate Association with the other Applicant in question, or through a longer line of direct Corporate Associations. To determine whether an indirect Corporate Association must be disclosed based on an Applicant's percentage of ownership, the percentage ownership of the Applicant in the other Applicant is obtained by multiplying the percentages of ownership at each level and must be more than 20%.

If the Applicant has a direct or indirect Corporate Association, it must be disclosed in the *Qualification Application*. This disclosure includes, but is not limited to, a corporate parent, subsidiary, or sister company. For direct or indirect Corporate Associations, the information that must be disclosed in the *Qualification Application* includes:

- The name of the Applicant with which the Applicant has a direct or indirect Corporate Association
- Bid limitation, % (see Section 7.2.3.2); and,
- The type of Corporate Association (i.e., direct or indirect) and a brief description of the association, which may include the following:
 - Corporate parent
 - Subsidiary

- Sister company
- Partnership
- Other (provide a concise description)

7.2.3.2 Use of Direct and Indirect Corporate Associations

The apportionment of the 25% quantity of CO₂ allowance bid limitation among bidders with a Corporate Association, as submitted in each bidder's approved qualification application, will be used to limit the quantity of CO₂ allowances bid by each of the bidders with a Corporate Association. The 25% limitation applies to each group of corporately associated applicants an Applicant is a part of. An Applicant that is in more than one group of corporately associated Applicants must separately allocate the 25% bid limitation among the Applicants in each group. In the event the Applicant is in one or more groups of corporately associated Applicants, the Applicant's self-reported bid limitation percentage must be identical to the bid limitation percentage reported for that Applicant by the other corporately associated Applicants in their qualification applications.

Bid limitations will not be adjusted after a *Qualification Application* has been approved and will remain static during each auction unless the Applicant files a *Qualification Application* with a material change for a subsequent auction.

The FAQs include an example of how Corporate Associations are used.

7.2.3.3 Identifying Bidding Associations

Bidding Associations must be reported in the *Qualification Application*.

- An Applicant has a "Bidding Association" with another party if it:
 - a) Has agreed to provide assistance with financing to the other party; or
 - b) Is partnered with the other party for bidding purposes; or
 - c) Has entered into any explicit or implicit agreements, arrangements, or understandings of any kind relating to the CO₂ allowances offered for sale at auction with the other party; or
 - d) Has agreed to provide assistance in any other way with the exception of administrative auction advisory services with the other party; or
 - e) Expects to share Confidential Information with the other party

A Bidding Association exists where the Applicant and another party have agreed in principle, regardless of whether the agreement has been reduced to writing. The Applicant must identify the other party or parties in its *Qualification Application*, and the purpose of the association, including how the Bidding Association meets one or more of the above criteria.

An arrangement by an Applicant with another party for the provision of auction-related logistical or clerical services that will not include the exchange of Confidential Information is not considered a Bidding Association and need not be reported.

As set forth in Section 4 above, after the *Qualification Application* and *Intent to Bid* submittal deadline, an Applicant may not communicate Confidential Information with any other Applicant or party that has not been disclosed in its *Qualification Application*, except as requested by the Auction Manager to remediate a *Qualification Application*. For all Bidding Association, the information that must be disclosed in the *Qualification Application* includes:

- The type of Bidding Association described in a, b, c, d, or e above;
- The name of the other party or parties;
- Whether the other party is another Applicant or not, which is either “Yes” or “No”;
- The position in the transaction, which is either “Purchaser” or “Recipient”;
- The quantity or percentage of CO₂ allowances covered by the Bidding Association

7.2.3.4 Use of Bidding Associations

The maximum number of CO₂ allowances that any Applicant may bid on in a single auction is 25% of the CO₂ allowances offered for sale in that auction.

Accordingly, if the Applicant has a Bidding Association with another Applicant under which either Applicant (the “Purchaser”) is authorized to bid on CO₂ allowances on behalf of the other (the Recipient”) the information provided in each Applicant’s approved *Qualification Application* will be used to limit the quantity of CO₂ allowances that may be bid by the Recipient. For instance, if the *Qualification Applications* indicate that Applicant A is authorized to bid for 1 million CO₂ allowances on behalf of Applicant B, the maximum number of CO₂ allowances that Applicant B may bid will be reduced by 1 million. If the purchasing authorization is expressed as a percentage, rather than a number quantity, the maximum 25% bid limitation will be apportioned between the Applicants. The number of allowances or the percentage that may be bid by the Applicant must be identical on the *Qualification Applications* of the associated Applicants. As set forth in Section 4, communication of Confidential Information is limited to the specific number of CO₂ allowances that are the subject of the Bidding Association.

If a Bidding Association exists that does not involve a specific number or percentage of CO₂ allowances, the 25% bid limitation will be apportioned between the associated Applicants.

Bid limitations will not be adjusted after a *Qualification Application* has been approved and will remain static during each auction unless the Applicant files a *Qualification Application* with a material change for a subsequent auction.

The FAQs include an example of how Bidding Associations are used.

7.3 Auction 21

Auction 21 will open at 9:00 AM ET and close at 12:00 PM ET on Wednesday, September 4, 2013. Bidders will be able to log on to the Auction Platform prior to this and view the details of each auction; however bids may only be submitted between 9:00 AM ET and 12:00 PM ET.

8 Post-auction Process

8.1 Release of the Auction Clearing Price

The clearing price for Auction 21 will be posted at <http://www.rggi.org> at 10:00 AM ET on Friday, September 6, 2013. In the event of a delay, a message will be posted at <http://www.rggi.org> providing the new time for the release. Immediately following posting of the clearing price, bidders can log on to the Auction Platform (<https://rggi.wesplatform.com>). Each bidder will see the number of CO₂ allowances it has been awarded, if any.

8.2 Financial Settlement

Financial settlement of Auction 21 will commence immediately after release of the auction clearing price. The Auction Platform provides each bidder with the total cost of the awarded CO₂ allowances, if any. This amount represents the amount to be paid or drawn from the bidder's financial security. Each key financial settlement event and activity is discussed below.

8.2.1 Optional Cash (Wire Transfer) Settlement

Each bidder who submits an ILOC or bond will be provided an opportunity to settle its award transaction(s) with cash via a wire transfer in USD rather than a draw against their ILOC and/or bond. Wire transfers must be in USD and must be received by The Bank of New York Mellon no later than 5:00 PM ET on Wednesday, September 11, 2013. The details for submitting cash by wire transfer are emailed to all potential bidders no later than 5:00 PM ET on Tuesday, August 20, 2013. If a wire transfer for the full award amount is received by the time and date deadline, a bidder's ILOC and/or bond will not be drawn against. Any amount of an award(s) not settled via cash with a wire transfer will be settled through a draw on the submitted ILOC or bond on Thursday, September 12, 2013.

No action is required if a bidder wishes settlement to be made by drawing against their ILOC or bond.

8.2.2 Return of Financial Security

See Sections 2.9.1 through 2.9.4 for information about how each type of financial security is returned after Auction 21.

8.3 CO₂ Allowance Transfer

CO₂ allowances will be transferred to each winning bidder's RGGI COATS account no later than 5:00 PM ET on Thursday, September 19, 2013. All winning bidders will be notified via email when this transfer is complete.

CO₂ allowances will be transferred in lots. For Auction 21 there will be 38,409 lots of 1,000 CO₂ allowances and one lot of 43 CO₂ allowances. Each lot will consist of CO₂ allowances from each Participating State closely in proportion to the percentages outlined in Table 2²⁴. The lot of 43 CO₂ allowances is the final lot awarded and the bidder awarded this lot pays 43 times the clearing price for this lot.

A bidder will not be able to specify which lot(s) it will be transferred.

²⁴ Each winning bidder will receive a pro rata share of the allocation year 2010, 2011, 2012 and 2013 CO₂ allowances.

9 Participating States Contact Information

For further information about a particular state's participation in Auction 21, please use the contact information in Table 6. For questions regarding the auction process, see Section 6.2.

State	Contact Information
Connecticut	Paul E Farrell paul.farrell@ct.gov 860.424.3389
Delaware	Valerie Gray valerie.gray@state.de.us 302.739.9402
Maine	Mike Karagiannes mike.karagiannes@maine.gov 207.287.2437
Maryland	Diane Franks dfranks@mde.state.md.us 410. 537.3250
Massachusetts	Rachel Evans rachel.evans@state.ma.us 617.626.7326
New Hampshire	Joe Fontaine joseph.fontaine@des.nh.gov 603.271.6794
New York	Kevin Hale rggi@nyserda.org 518.862.1090
Rhode Island	Frank Stevenson frank.stevenson@dem.ri.gov 401.222.4700x7021
Vermont	Public Service Board psb.clerk@state.vt.us 802.828.2358

Table 6: Contact Information

Appendix A – Form of Bid Bond

The form of bond is provided in this appendix. A Potential Bidder providing financial security with a bond must send this completed form to:

RGGI CO₂ Budget Trading Programs Auction Manager
c/o World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: 800.578.0718

See Section 2.9.1 for more information.

Bid Bond Form

BY THIS BOND

_____ as Principal, and

Name of Bidder

Name of Surety

Legal Title of Surety

Address of Surety

as Surety ("the Surety"), are held and firmly bound unto RGGI, Inc., as Obligee in the sum of _____ ("the Bond Penalty"), for the payment of which sum, well and truly to be made, we, the said Principal and Surety, bind ourselves, our successors and assigns, jointly and severally, firmly by these presents.

WHEREAS the Principal has submitted a Qualification Application, dated the ____ day of _____, 20__, to the Auction Manager acting on behalf of RGGI, Inc., to become a Potential Bidder in the CO₂ Allowance Auction.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION is such that if the Principal has a winning bid(s) in the CO₂ Allowance Auction and fails to satisfy its financial obligations by transferring sufficient funds by the time and date deadline in the CO₂ Allowance Auction Notice; then within two (2) business days of receipt of written demand from RGGI, Inc., the Surety shall pay, in immediately available funds, the demanded portion of the Bond, up to its full amount. The written demand of RGGI, Inc. shall include (a) the dollar amount to be forfeited; (b) a statement that the demand arises from the occurrence of the above condition; and (c) RGGI, Inc.'s banking instructions for payment. Any demand to the Surety for payment of all or part of the Bond Penalty must be dated and sent by overnight courier to the specified address for receipt on or before September 19, 2013.

The Surety and the Principal hereby agree that their obligation will remain in full force until September 19, 2013.

Thereafter this Bond shall be void.

This Bond shall be construed and interpreted in accordance with and governed by the laws of the State of New York, without regard to choice-of-law principles. The Principals and Surety waive trial by jury and consent to the jurisdiction of the state and federal courts of New York for any action relating to this Bond.

IN TESTIMONY WHEREOF, the Principal and the Surety have caused these presents to be executed in their respective names this ____ day of _____ 20__.

Principal: _____
Corporate Seal (where appropriate)

Surety: _____

Authorized Signature

Authorized Signature

Printed name and title

Printed name and title

I hereby certify that the Surety has an insurer financial strength rating of at least "A" by Standard & Poor's or insurance financial strength rating of at least "A2" by Moody's.

Surety: _____

Signature

Printed name and title

Appendix B – Wire Transfer Remittance Form for CO₂ Allowance Auction 21

The “Wire Transfer Remittance Form for CO₂ Allowance Auction 21” is provided in this appendix. A Potential Bidder providing financial security with a cash wire transfer must fax or email the completed form no later than 5:00 PM ET on Wednesday, August 28, 2013 to the following address:

RGGI CO₂ Budget Trading Programs Auction Manager

Fax: 508.459.8101

Email: auctionmanager@worldenergy.com

See Section 2.9.2 for more information.

Wire Transfer Remittance Form for CO₂ Allowance Auction 21

Name of Applicant

Street Address

City

State/Province (if applicable)

Postal Code

Country

In the field below indicate the amount of financial security provided with certified funds.

Financial Security (USD)

All unused cash balances will be returned to applicants via Automated Clearing House ("ACH") credit. Information on where the cash will be sent must be provided below.

Account Name	
ABA Number	
Account Number	
Type of Account (Checking/Savings)	

Appendix C – Certified Funds Remittance Form for CO₂ Allowance Auction 21

The “Certified Funds Remittance Form for CO₂ Allowance Auction 21” is provided in this appendix. A Potential Bidder providing financial security with a certified bank check or cashier’s check must send the completed form along with the certified bank check or cashier’s check to the following address:

RGGI CO₂ Budget Trading Programs Auction Manager
c/o World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: 800.578.0718

In addition, a Potential Bidder must fax or email a copy of the completed form no later than 5:00 PM ET on Wednesday, August 28, 2013 to the following address:

RGGI CO₂ Budget Trading Programs Auction Manager
Fax: 508.459.8101
Email: auctionmanager@worldenergy.com

See Section 2.9.3 for more information.

Certified Funds Remittance Form for CO₂ Allowance Auction 21

Name of Applicant

Street Address

City

State/Province (if applicable)

Postal Code

Country

In the field below indicate the amount of financial security provided with certified funds.

Financial Security (USD)

All unused cash balances will be returned to applicants via Automated Clearing House ("ACH") credit. Information on where the cash will be sent must be provided below.

Account Name	
ABA Number	
Account Number	
Type of Account (Checking/Savings)	

Appendix D – Form of Irrevocable Letter of Credit

The form of ILOC is provided in this appendix. A Potential Bidder providing financial security with an ILOC must send this completed form to:

RGGI CO₂ Budget Trading Programs Auction Manager
c/o World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: 800.578.0718

See Section 2.9.4 for more information.

Form of Irrevocable Letter of Credit

Irrevocable Letter Of Credit No. _____

Date: _____, 20__

Beneficiary:

RGGI, Inc.
90 Church Street, 4th Floor
New York, NY 10007

Ladies and Gentlemen:

By The Order Of:

[Applicant]

[Applicant's Address]

1. We hereby establish in your favor this Irrevocable Letter of Credit (this "Letter of Credit") for the account of _____ (the "Applicant"), in the amount of USD \$_____, effective immediately and available to you at sight upon demand by you at our counters at _____(Location) and expiring on _____[expiration date must be no earlier than Thursday, September 19, 2013], unless terminated earlier in accordance with the provisions hereof or otherwise extended.
2. This Letter of Credit is issued at the request of the Applicant, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 12 hereof. This Letter of Credit may be drawn by presenting the following documents:
 - a. Your Sight Draft drawn on us in the form of Annex 1 hereto (the "Sight Draft"); and
 - b. A dated Payment Certificate signed by your duly authorized officer in the form of Annex 2 hereto (the "Payment Certificate").
3. Demands presented by facsimile (to facsimile number _____) are acceptable: provided that if any such demand is presented by facsimile and confirmed by telephone to _____, the original Sight Draft and Payment Certificate shall be simultaneously forwarded by overnight courier service to our office located at the address as set forth on the signature line; provided further that the failure of the courier service to timely deliver shall not affect the efficacy of the demand.
4. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (New York, New York time) on such Business Day to _____ (Bank), _____.

5. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the Sight Draft delivered to us in connection with such drawing to such account at such bank in the United States as you may specify in your Sight Draft delivered to us pursuant to Paragraph 4 hereof, by 3:00 P.M. (New York, NY time) on the next Business Day of such drawing if delivery of the requisite documents are made prior to 11:00 A.M. (New York, NY time) on a Business Day pursuant to Paragraph 3 hereinabove, or at the opening of business on the second Business Day succeeding the date of such drawing if delivery of the requisite documents are made on or after 11:00 A.M. (New York, NY time) on any Business Day pursuant to Paragraph 4 hereinabove.
6. Only you may make any Payment Certificate and Sight Draft under this Letter of Credit.
7. All bank charges including but not limited to, fees or commissions, shall be for Applicant's account.
8. This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, and (iii) the above-stated expiration date hereof.
9. As used herein:

"Applicant" shall mean an Applicant to the CO₂ Allowance Auction who has successfully completed the CO₂ Allowance Auction Qualification Application.

"Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York, New York and any day on which payments can be effected on the Fedwire system.
10. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, this Letter Of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 revision), International Chamber Of Commerce Publication 600 (Provided, however, that drawings permitted hereunder shall not be deemed to be drawings by installments within Article 32 of the UCP) and as to matters not governed by the UCP, shall be governed by and construed in accordance with the laws of the State of New York and applicable U.S. Federal Law.
11. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 3 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.
12. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit. Partial drawings are permitted hereunder.

13. We hereby agree with you that each duly completed Sight Draft and Payment Certificate drawn under and in compliance with the terms of this Letter of Credit will be duly honored upon presentation to us on or before the expiry date. Our obligation under this Letter of Credit is our individual obligation, and is in no way contingent upon reimbursement with respect thereto.
14. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.
15. This original Letter of Credit has been sent to you c/o World Energy Solutions, Inc., 100 Front Street, 20th Floor, Worcester, MA 01608. The aggregate amount paid to you during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit.

Very truly yours,

[Signature]

Name: _____

Title: _____

[Issuing Bank Name]

[Issuing Bank Address]

Annex 1 Irrevocable Letter of Credit

Sight Draft

Letter of Credit No.: _____

Date of Letter of Credit: _____

Date of Draft: _____

To: (Bank)

(Address)

Attention: _____

For Value Received

Pay on Demand to: RGGI, Inc., U.S. _____ Dollars (U.S. \$_____). The amount of this draft does not exceed the amount available to be drawn by the Beneficiary under the Letter of Credit.

We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Charge to account of [Applicant].

Drawn under [Name of Bank] Letter of Credit No. _____.

Funds to be wired to:

ABA Routing Number: _____

Receiving Bank: _____

Beneficiary: _____

Originating Bank
Information (OBI Field): _____

Very truly yours,

RGGI, Inc.

By _____

Name:

Title:

Date:

Annex 2 Irrevocable Letter of Credit

Payment Certificate

To:

[Issuing Bank]

[Address]

Re: Irrevocable Letter of Credit No: _____ [Insert]

The undersigned, a duly authorized officer of the undersigned Beneficiary, hereby certifies to [Issuing Bank], with reference to the Irrevocable Letter of Credit No: [Insert] ("Letter of Credit"), that the Applicant has winning bid(s) in the CO₂ Allowance Auction and RGGI, Inc. is authorized and entitled to draw any amount up to the maximum allowed by the attached Letter of Credit.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit, a copy of which is annexed hereto.

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this Payment Certificate as of the ____ day of _____.

Very truly yours,

RGGI, Inc.

By _____

Name:

Title:

Date:

Annex 3 Irrevocable Letter of Credit

Certificate of Expiration

Letter of Credit No.: _____

Date: _____, 20__

To: (Bank)

(Address)

Attention: _____

Ladies and Gentlemen:

The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is said Letter of Credit, marked cancelled.

Very truly yours,

RGGI, Inc.

By _____

Name:

Title:

Date:

cc: _____ (Applicant)

Appendix G –Secondary Authorized Auction Representative Authorization Form

An Applicant qualified prior to Auction 7 that wishes to authorize the Secondary Authorized Auction Representative (“SAAR”) to represent them as described in Section 2.5 must complete the “Secondary Authorized Auction Representative Authorization Form” contained in this appendix and submit it to the Auction Manager no later than at 5:00 PM ET on Wednesday, July 24, 2013.

An applicant has two options for submitting the Secondary Authorized Auction Representative Authorization Form.

- 1) Hard Copy: An applicant can submit a paper Secondary Authorized Auction Representative Authorization Form to the Auction Manager at:

RGGI CO₂ Budget Trading Programs Auction Manager
c/o World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608

Or

- 2) Electronic via Email: An applicant can submit a Secondary Authorized Auction Representative Authorization Form by email to the Auction Manager at:

auctionmanager@worldenergy.com

The Secondary Authorized Auction Representative Authorization Form must be in portable document format (“PDF”) only.

Secondary Authorized Auction Representative Authorization Form

Name of Applicant

--

Secondary Authorized Auction Representative

First Name

--

Last Name

--

Title

--

Office Phone

--

Mobile Phone

--

Fax

--

Company

--

Email Address

--

Street Address

--

City

--

State/Province

--

Postal Code

--

Country

--

The individual identified above is designated by the previously qualified Applicant as the Secondary Authorized Auction Representative in the Applicant's previously submitted *Qualification Application*.

The Secondary Authorized Auction Representative is hereby authorized to (1) submit bids on behalf of the Applicant in any CO₂ Allowance Auction; (2) submit an *Intent to Bid* on behalf of the Applicant for any CO₂ Allowance Auction; and (3) act on behalf of the Applicant in the remediation of the *Qualification Application* and/or any *Intent to Bid*.

Signature of Primary Authorized Auction Representative

Date

Name in Print

Title

Yes

☐

Do you assert that the submitted information on "Secondary Authorized Auction Representative Authorization Form" is confidential?