

## Regional Greenhouse Gas Initiative

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

# Auction Notice for CO<sub>2</sub> Allowance Auction 14 on December 7, 2011

States offering CO<sub>2</sub> allowances for sale:

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

Issued on October 7, 2011

Administered by RGGI, Inc.  
90 Church Street, 4<sup>th</sup> 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 (CO<sub>2</sub>), a greenhouse gas that causes global warming.

RGGI, Inc. is a non-profit corporation created to provide technical and administrative services to the CO<sub>2</sub> Budget Trading Programs of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

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## 1 **General Information**

This document, *Auction Notice for CO<sub>2</sub> Allowance Auction 14 on December 7, 2011* (“*Auction Notice*”), is the official notification for CO<sub>2</sub> Allowance Auction 14 (“Auction 14”). Auction 14 is the collective reference to two (2) separate offerings: one for current control period allowances and one for future control period allowances. CO<sub>2</sub> Allowance Auction 14-2011 (“Auction 14-2011”) will offer allocation year 2011, allocation year 2010 and allocation year 2009 CO<sub>2</sub> allowances for sale. CO<sub>2</sub> Allowance Auction 14-2014 (“Auction 14-2014”) will offer allocation year 2014 CO<sub>2</sub> allowances for sale.

Auction 14-2011 will include current control period allowances from Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont. Auction 14-2014 will include future control period allowances from Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont.

All allowances offered for sale in Auction 14 will be recognized for compliance purposes without limitation by the Participating States, in accordance with each state's regulations.

Auction 14 is scheduled to take place from 9:00 AM ET<sup>1</sup> until 12:00 PM ET on Wednesday, December 7, 2011. 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 3.0* (“*Qualification Application*”) and the *Intent to Bid for CO<sub>2</sub> Allowance Auction 14 on December 7, 2011* (“*Intent to Bid*”), can be found in an electronic format at [http://www.rggi.org/market/co2\\_auctions](http://www.rggi.org/market/co2_auctions) (“Auction Website”).

### 1.1 **Introduction**

The Regional Greenhouse Gas Initiative (“RGGI”) is a cooperative effort by ten Northeastern and Mid-Atlantic States: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New Hampshire, New York, Rhode Island, and Vermont, the “Participating States,” to reduce carbon dioxide emissions from power plants through the implementation of a linked CO<sub>2</sub> Budget Trading Program by each Participating State. 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 CO<sub>2</sub> 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 CO<sub>2</sub> Budget Trading Programs, the Participating States implemented a regional auction platform to sell CO<sub>2</sub> allowances (“Auction Platform”), which is managed by the RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager (“Auction Manager”). All of the Participating States are offering CO<sub>2</sub> allowances for sale in Auction 14. Auction 14 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 14. This *Auction*

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<sup>1</sup> 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.

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 CO<sub>2</sub> Budget Trading Programs Auction Manager  
c/o World Energy Solutions, Inc.  
446 Main Street, 14th Floor  
Worcester, MA 01608  
Phone: 800.578.0718  
Email: [auctionmanager@worldenergy.com](mailto:auctionmanager@worldenergy.com)

## 1.2 Auction Schedule

Table 1 presents the current schedule for all events associated with Auction 14 ("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"> <li><i>Auction Notice</i></li> <li><i>Qualification Application</i></li> <li><i>Intent to Bid</i></li> </ul>	Friday, October 7, 2011	No later than 3:00 PM ET
Open online question window	Friday, October 7, 2011	3:00 PM ET
Hold webinar	Thursday, October 13, 2011	2:00 to 3:00 PM ET
Close online question window	Friday, October 14, 2011	5:00 PM ET
Update FAQs, as needed	Wednesday, October 19, 2011	No later than 12:00 PM ET
<b>Auction documents due<sup>2</sup></b> <ul style="list-style-type: none"> <li><b><i>Qualification Application</i></b></li> <li><b><i>Intent to Bid</i></b></li> </ul>	<b>Wednesday, October 26, 2011</b>	<b>No later than 5:00 PM ET</b>
Auction Manager sends remediation notification and instructions to each Applicant <ul style="list-style-type: none"> <li><i>Qualification Application</i></li> <li><i>Intent to Bid</i></li> </ul>	Wednesday, November 2, 2011	No later than 3:00 PM ET
<b>Remediated auction documents due, where applicable</b>	<b>Thursday, November 17, 2011</b>	<b>No later than 5:00 PM ET</b>
Auction Manager sends qualification status to each Applicant	Tuesday, November 22, 2011	No later than 5:00 PM ET
Auction Manager distributes usernames & passwords	Tuesday, November 22, 2011	No later than 5:00 PM ET
Hold Auction Platform training sessions	Monday, November 28, 2011	1:00 to 4:00 PM ET
Hold Auction Platform training sessions	Tuesday, November 29, 2011	1:00 to 4:00 PM ET
<b>Financial security due</b>	<b>Wednesday, November 30, 2011</b>	<b>No later than 5:00 PM ET</b>
Auction Manager sends notification of participation status	Friday, December 2, 2011	No later than 8:00 AM ET
<b>Hold Auction 14-2011</b>	<b>Wednesday, December 7, 2011</b>	<b>9:00 AM to 12:00 PM ET</b>

<sup>2</sup> 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
<b>Hold Auction 14-2014</b>	<b>Wednesday, December 7, 2011</b>	<b>9:00 AM to 12:00 PM ET</b>
Auction 14 clearing price posted at <a href="http://www.rggi.org">http://www.rggi.org</a> . Immediately following posting of clearing price, bidders can log on to Auction Platform to view Auction 14 awards.	Friday, December 9, 2011	10:00 AM ET
Optional cash settlement due	Wednesday, December 14, 2011	No later than 5:00 PM ET
Unused cash financial security returned	Wednesday, December 21, 2011	No later than 5:00 PM ET
Allowance transfer and confirmation	Thursday, December 22, 2011	No later than 5:00 PM ET

**Table 1: Auction Schedule**

### 1.3 CO<sub>2</sub> Allowances to be Auctioned

Current control period CO<sub>2</sub> allowances<sup>3</sup>, in quantities identified in Table 2, are scheduled to be offered for sale in Auction 14-2011.

State	Current Control Period CO <sub>2</sub> Allowances	%
Connecticut	2,063,339	4.8%
Delaware	1,206,927	2.8%
Maine	1,257,194	2.9%
Maryland	8,928,873	20.8%
Massachusetts	6,571,301	15.3%
New Hampshire	1,487,013	3.5%
New Jersey	5,299,931	12.3%
New York	15,153,523	35.3%
Rhode Island	708,924	1.6%
Vermont	306,457	0.7%
<b>Total</b>	<b>42,983,482</b>	<b>100.0%</b>

**Table 2: CO<sub>2</sub> Allowances Offered for Sale in Auction 14-2011**

Future control period CO<sub>2</sub> allowances, in quantities identified in Table 3, are scheduled to be offered for sale in Auction 14-2014.

State	Future Control Period CO <sub>2</sub> Allowances	%
Connecticut	120,319	6.5%
Delaware	79,403	4.3%
Maine	63,207	3.4%
Maryland	376,443	20.2%
Massachusetts	332,976	17.9%
New Hampshire	86,850	4.7%
New York	757,676	40.6%
Rhode Island	32,908	1.8%

<sup>3</sup> Current control period allowances include 41,532,720 allocation year 2011 CO<sub>2</sub> allowances, 1,417,220 allocation year 2010 CO<sub>2</sub> allowances and 33,542 allocation year 2009 CO<sub>2</sub> allowances. As specified in regulations for each of the Participating States, allocation year 2009 and 2010 CO<sub>2</sub> allowances available for auction in calendar year 2011 are the result of unused CO<sub>2</sub> allowances from Participating State set aside accounts.

State	Future Control Period CO <sub>2</sub> Allowances	%
Vermont	15,169	0.8%
<b>Total</b>	<b>1,864,951</b>	<b>100.0%</b>

**Table 3: CO<sub>2</sub> Allowances Offered for Sale in Auction 14-2014**

## 1.4 Eligibility

All parties and categories of bidders are eligible to participate in Auction 14. However, to participate in Auction 14, a party must meet all other participation requirements and follow all procedures outlined in this *Auction Notice*.

## 2 Participation Requirements

Participation in Auction 14 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 CO<sub>2</sub> 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.

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 14, 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.

### 2.2 New Applicant

In order to become qualified and participate in Auction 14, each new applicant must:

1. Maintain a compliance or general account in the RGGI CO<sub>2</sub> 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 14, an applicant is qualified to participate in any future CO<sub>2</sub> Allowance Auction held by the Participating States,<sup>4</sup> 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 CO<sub>2</sub> Allowance Tracking System Account

Each Applicant must possess an active RGGI CO<sub>2</sub> 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 CO<sub>2</sub> allowances from Auction 14 will be transferred.<sup>5</sup>

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 CO<sub>2</sub> budget source is located.

For a compliance account, each CO<sub>2</sub> authorized account representative<sup>6</sup> 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](http://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.<sup>7</sup>

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 CO<sub>2</sub> allowances between any accounts, compliance or general.

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<sup>4</sup> If an additional state or region joins RGGI for a future auction, that state or region may have additional qualification requirements.

<sup>5</sup> 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”).

<sup>6</sup> For a CO<sub>2</sub> budget source and each CO<sub>2</sub> budget unit at the source, the natural person who is authorized by the owners and operators of the source and all CO<sub>2</sub> budget units at the source, in accordance with the CO<sub>2</sub> Budget Trading Programs, to represent and legally bind each owner and operator in matters pertaining to the CO<sub>2</sub> Budget Trading Programs or, for a general account, the natural person who is authorized, under the CO<sub>2</sub> Budget Trading Programs, to transfer or otherwise dispose of CO<sub>2</sub> allowances held in the general account.

<sup>7</sup> For more information regarding compliance accounts, contact the appropriate staff for the state in which a CO<sub>2</sub> budget source is located (see Section 9).



## 2.5 Authorized Auction Representatives

The Primary Authorized Auction Representative (“PAAR”) represents the Applicant in any CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> Allowance Auction; (2) submit an *Intent to Bid* on behalf of the Applicant for any CO<sub>2</sub> 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 the Auction Platform, allowing him/her to submit bids in the CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> Allowance Auction depends upon each Authorized Auction Representative safeguarding confidential information and passwords used in each CO<sub>2</sub> Allowance Auction. An Authorized Auction Representative can represent more than one (1) Applicant; however the Applicants must have either a disclosable 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 CO<sub>2</sub> Allowance Auction.

## 2.6 Qualification Application Submittal and Review

To participate in Auction 14, 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, October 26, 2011. 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, November 2, 2011 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 Thursday, November 17, 2011 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, November 22, 2011 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 14, 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 four states that did not offer CO<sub>2</sub> allowances for sale in CO<sub>2</sub> Allowance Auction 1.<sup>8</sup> For each such previously qualified applicant that submits an *Intent to Bid* for Auction 14, each of these four 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, November 22, 2011, as to the determination of qualification status by these four states.

### **2.7 Intent to Bid Submittal and Review**

To participate in Auction 14, 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, October 26, 2011. 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*<sup>9</sup> 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, November

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<sup>8</sup> Delaware, New Hampshire, New Jersey, and New York.

<sup>9</sup> 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 14, will be sent a remediation notice .

- 2, 2011 whether or not it's *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 Thursday, November 17, 2011 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 Wednesday, November 22, 2011 as to whether its *Intent to Bid* is determined complete or not.

## **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 14, financial security, in United States dollars ("USD"), must be received no later than 5:00 PM ET on Wednesday, November 30, 2011. If the Potential Bidder intends on participating in both Auction 14-2011 and Auction 14-2014, that Potential Bidder must allocate its financial security between these two offerings by completing the "Financial Security Allocation Form for CO<sub>2</sub> Allowance Auction 14" contained in Appendix E and submitting it to the Auction Manager no later than 5:00 PM ET on Wednesday, November 30, 2011. Failure to do so will result in the application of a default allocation. The default allocation will be 96% of the submitted financial security allocated to Auction 14-2011 and the remaining 4% allocated to Auction 14-2014.<sup>10</sup>

The amount of financial security allocated to Auction 14-2011 and Auction 14-2014 will be used to set bidding limitations in each auction. To determine how much financial security to provide in Auction 14, 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

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<sup>10</sup> These values are roughly the percentage of current control period CO<sub>2</sub> allowances and future control period CO<sub>2</sub> allowances offered for sale in Auction 14.

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 CO<sub>2</sub> 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 CO<sub>2</sub> allowances for sale in Auction 14 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, November 30, 2011 at the following address:

RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager  
c/o World Energy Solutions, Inc.  
446 Main Street, 14th 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, December 22, 2011.

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](mailto: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, December 22, 2011, will continue to be held by RGGI, Inc. as valid financial security for any future CO<sub>2</sub> Allowance Auction.<sup>11</sup>

### **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, November 30, 2011. All potential bidders will be emailed the details for submitting cash by wire transfer no later than 5:00 PM ET on Tuesday, November 22, 2011. 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.

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<sup>11</sup> Provided such bond meets the minimum expiration date outlined in the applicable auction notice of the subsequent CO<sub>2</sub> Allowance Auction(s).

Each Potential Bidder submitting cash by wire transfer must also complete and submit the “Wire Transfer Remittance Form for CO<sub>2</sub> Allowance Auction 14” 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, November 30, 2011 to ensure that the financial security is credited to the appropriate Potential Bidder:

RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager  
Fax: 508.459.8101  
Email: [auctionmanager@worldenergy.com](mailto: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, December 21, 2011.

The Auction Manager may request that a newly qualified potential bidder submit just their ACH credit information prior to Wednesday, November 30, 2011. Any such request will be e-mailed no later than 5:00 PM ET on Tuesday, November 22, 2011.

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, November 30, 2011 at the following address:

RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager  
c/o World Energy Solutions, Inc.  
446 Main Street, 14th Floor  
Worcester, MA 01608  
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, November 22, 2011. 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 CO<sub>2</sub> Allowance Auction 14,” 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, November 30, 2011 to ensure that the financial security is credited to the appropriate Potential Bidder:

RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager  
Fax: 508.459.8101  
Email: [auctionmanager@worldenergy.com](mailto:auctionmanager@worldenergy.com)

Unused cash balances will be returned via ACH credit no later than 5:00 PM ET on Wednesday, December 21, 2011.

The Auction Manager may request that a newly qualified potential bidder submit just their ACH credit information prior to Wednesday, November 30, 2011. Any such request will be e-mailed no later than 5:00 PM ET on Tuesday, November 22, 2011.

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, November 30, 2011 at the following address:

RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager  
c/o World Energy Solutions, Inc.  
446 Main Street, 14th 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, December 22, 2011.

A courtesy copy of ILOC in PDF may be sent for information purposes only to the Auction Manager at [auctionmanager@worldenergy.com](mailto: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, December 22, 2011 will continue to be held by RGGI, Inc. as valid financial security for any future CO<sub>2</sub> Allowance Auction.<sup>12</sup>

#### **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 14. Each Potential Bidder will be notified no later than 8:00 AM ET on Friday, December 2, 2011 whether or not it is approved to participate in Auction 14.

### **3 Confidential Information**

To maintain the integrity of Auction 14, an Applicant may not publicly release confidential information. Confidential information includes, but is not limited to, qualification status, bidding

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<sup>12</sup> Provided such ILOC meets the minimum expiration date outlined in the applicable auction notice of the subsequent CO<sub>2</sub> Allowance Auction(s).

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 14, 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 14 results as well as the names of potential bidders.

#### **4 Limitation on Communication**

Before the *Qualification Application* and *Intent to Bid* deadline, Applicants may enter into otherwise lawful associations, but each Applicant must disclose the existence of the associations as required in the *Qualification Application*. After the relevant *Qualification Application* filing deadline, an Applicant may not communicate<sup>13</sup> 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*. An Applicant that makes a material change(s) after the relevant *Qualification Application* filing deadline may not participate in Auction 14.

#### **5 Market Monitor**

RGGI, Inc. has retained the services of an independent market monitor that will monitor the auction and provide ongoing monitoring of CO<sub>2</sub> allowance holdings and CO<sub>2</sub> allowance 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 CO<sub>2</sub> Allowance Auction or in the CO<sub>2</sub> 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 14. The webinar will be open to any party interested in participating in Auction 14. 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

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<sup>13</sup> These communications include, but are not limited to, communicating information such as bidding strategy, the bid price and/or bid quantity, and the amount of financial security posted.

webinar. The webinar will be held from 2:00 PM ET to 3:00 PM ET on Thursday, October 13, 2011.

To access the webinar audio, call the teleconference access number, 888.609.1608 and enter the participant code, 555661#.

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, October 12, 2011. Alternatively, to view the slides online as the presenter goes through them, please go to <http://www.infiniteconferencing.com/Events/rggi>. Select the participant option and then enter participant code 555661 and the following information: name, company, email address, and title.

A recorded version of the webinar will be made available no later than 5:00 PM ET on Tuesday, October 18, 2011 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](mailto:auctionmanager@worldenergy.com). The question window opens at 8:00 AM ET on Friday, October 7, 2011 and closes at 5:00 PM ET on Friday, October 14, 2011.

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, October 19, 2011.

## **6.3 Auction Platform Username and Password**

Upon notification of qualification, usernames and passwords will be provided.<sup>14</sup> 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 14—all other participation requirements must be met.

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

RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager  
c/o World Energy Solutions, Inc.  
446 Main Street, 14th Floor  
Worcester, MA 01608  
Phone: 800.578.0718  
Email: [auctionmanager@worldenergy.com](mailto:auctionmanager@worldenergy.com)

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<sup>14</sup> Previously qualified applicants will not be issued new usernames and/or passwords; their current usernames and passwords will remain active.



## 6.4 Auction Platform Training Sessions

Auction Platform training will be provided only for those qualified to participate in Auction 14. Applicants qualified to participate in Auction 14 can request a training session by contacting the Auction Manager. Identical training sessions will be held Monday, November 28, 2011 and Tuesday, November 29, 2011, 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 14 will be conducted.

### 7.1 Auction Overview

Auction 14-2011 and Auction 14-2014 will be conducted simultaneously using an electronic, internet-based platform that bidders will use to submit bids<sup>15</sup> in a uniform-price, sealed-bid auction format. Bids for each auction are entered separately and each auction clears independently. For each auction, all bids are first ranked by bid price from high to low. Then, cumulative demand<sup>16</sup> is noted at each bid. The clearing price<sup>17</sup> and CO<sub>2</sub> allowance awards will be determined using these ranked bids according to the following possible scenarios.

1. If total demand<sup>18</sup> is less than or equal to the supply of CO<sub>2</sub> allowances offered for sale in the auction, the clearing price is the reserve price. All bids would be awarded CO<sub>2</sub> allowances.
2. If total demand is greater than the supply of CO<sub>2</sub> allowances offered for sale in the auction and,
  - a. the cumulative demand at a bid exactly equals the supply of CO<sub>2</sub> 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).<sup>19</sup> CO<sub>2</sub> 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 CO<sub>2</sub> allowances offered for sale in the auction at some point, the clearing price is the bid price of the marginal bid(s). CO<sub>2</sub> allowances are awarded to all bids with bid prices greater than the clearing price. In addition, CO<sub>2</sub> 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.

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<sup>15</sup> A bid consists of a price per CO<sub>2</sub> allowance, or bid price, and a quantity of CO<sub>2</sub> allowances, or bid quantity.

<sup>16</sup> 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.

<sup>17</sup> The per CO<sub>2</sub> allowance price at which all CO<sub>2</sub> allowances offered for sale in the auction will be sold.

<sup>18</sup> The sum of the bid quantities of all bids in the auction.

<sup>19</sup> The marginal bid is the bid that causes cumulative demand for CO<sub>2</sub> Allowances to be greater than or equal to the supply of CO<sub>2</sub> Allowances made available for sale in the auction. If multiple bids cause cumulative demand for CO<sub>2</sub> Allowances to be greater than or equal to the supply of CO<sub>2</sub> Allowances made available for sale in the auction at the same price, then all of these tied bids are considered marginal bids.

- 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. CO<sub>2</sub> 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 CO<sub>2</sub> allowances than are available, that bid will be partially fulfilled with the remaining available supply.

Other features of Auction 14 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 CO<sub>2</sub> allowances, subject to applicable state and federal law. As detailed in section 8.1, the clearing price for Auction 14 will be posted at <http://www.rggi.org> at 10:00 AM ET on Friday, December 9, 2011. Immediately following posting of the clearing price, bidders can log on to the Auction Platform (<https://rggi.wesplatform.com>) to view the number of CO<sub>2</sub> allowances it has been awarded, if any. The total cost of the awarded CO<sub>2</sub> allowances represents the amount to be paid or drawn from the bidder's financial security.

Table 4 illustrates the bids from a uniform-price, sealed-bid auction format<sup>20</sup> for 100,000 CO<sub>2</sub> 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

<sup>20</sup> 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 CO<sub>2</sub> Allowance Auction.

Bidder Name	Bid Price	Bid Quantity	Cumulative Demand
Bidder D	\$2.25	16,000	213,000
Bidder A	\$2.15	13,000	226,000

**Table 4: Uniform-price, Sealed-bid Auction Format Example**

Bidder C's bid for CO<sub>2</sub> allowances at \$3.85 causes cumulative demand to exactly equal the supply of CO<sub>2</sub> 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 CO<sub>2</sub> allowance. CO<sub>2</sub> allowances are awarded to all bids with bid prices greater than \$3.80 per CO<sub>2</sub> allowance.

In summary, bidders would receive the following awards.

- Bidder A – 21,000 CO<sub>2</sub> allowances at a total cost of \$79,800.
- Bidder B – 10,000 CO<sub>2</sub> allowances at a total cost of \$38,000.
- Bidder C – 10,000 CO<sub>2</sub> allowances at a total cost of \$38,000.
- Bidder D – 20,000 CO<sub>2</sub> allowances at a total cost of \$76,000.
- Bidder E – 39,000 CO<sub>2</sub> allowances at a total cost of \$148,200.

Table 5 also illustrates the bids from a uniform-price, sealed-bid auction format,<sup>21</sup> but is designed to highlight the tiebreaking process as well as what happens when the number of CO<sub>2</sub> allowances offered for sale is not evenly divisible by 1,000. Therefore, this example is an auction for 100,100 CO<sub>2</sub> 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	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 5: Tiebreaking Process Example**

Bidder E, D, A, and B's bid for CO<sub>2</sub> allowances at \$3.75 causes cumulative demand to be greater than the supply of CO<sub>2</sub> 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 CO<sub>2</sub> allowance. CO<sub>2</sub> allowances are awarded to all bids with bid prices greater than \$3.75 per CO<sub>2</sub> allowance.

<sup>21</sup> See Footnote 18.

In addition, the tie amongst the marginal bids, highlighted in blue, must be broken and awarded CO<sub>2</sub> allowances. Breaking the tie requires the generation of a random number that is assigned to each tied bid (see Section 7.1.1). The CO<sub>2</sub> allowances are awarded to each tied bidder in increasing order by the value of their assigned random number until no CO<sub>2</sub> allowances are left.

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

In summary, bidders would receive the following awards.

- Bidder A – 25,100 CO<sub>2</sub> allowances at a total cost of \$94,125.
- Bidder B – 10,000 CO<sub>2</sub> allowances at a total cost of \$37,500.
- Bidder C – 10,000 CO<sub>2</sub> allowances at a total cost of \$37,500.
- Bidder D – 25,000 CO<sub>2</sub> allowances at a total cost of \$93,750.
- Bidder E – 30,000 CO<sub>2</sub> 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.<sup>22</sup> 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 CO<sub>2</sub> 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`.<sup>23</sup> Since only one instance of Random will be created for each auction, concerns regarding the creation of multiple Random objects generating identical sequences of

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<sup>22</sup> <http://msdn.microsoft.com/en-us/library/system.random.aspx>. Last accessed Tuesday, September 20, 2011.

<sup>23</sup> 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, September 20, 2011.

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 ( $10^{23}$  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 14-2011 and Auction 14-2014 is \$1.89 per CO<sub>2</sub> allowance. The Auction Platform will automatically reject any bid entered with a bid price lower than the reserve price.

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 a particular 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 6 demonstrates the way the value of a bidder's bids is calculated, using the bids from Table 4 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 <sub>2</sub> allowances and pays at most \$4.95 per CO <sub>2</sub> allowance	\$49,500.00
Bidder A	\$4.80	11,000	21,000	If this bid is accepted, Bidder A wins 21,000 CO <sub>2</sub> allowances and pays at most \$4.80 per CO <sub>2</sub> allowance	\$100,800.00 ←
Bidder A	\$3.05	12,000	33,000	If this bid is accepted, Bidder A wins 33,000 CO <sub>2</sub> allowances and pays at most \$3.05 per CO <sub>2</sub> allowance	\$100,650.00
Bidder A	\$2.15	13,000	46,000	If this bid is accepted, Bidder A wins 46,000 CO <sub>2</sub> allowances and pays at most \$2.15 per CO <sub>2</sub> allowance	\$98,900.00
				<b>Bidder A's maximum bid value is counted against the financial security bid limitation</b>	<b>\$100,800.00</b>
Bidder B	\$4.10	10,000	10,000	If this bid is accepted, Bidder B wins 10,000 CO <sub>2</sub> allowances and pays at most \$4.10 per CO <sub>2</sub> allowance	\$41,000.00
Bidder B	\$3.75	15,000	25,000	If this bid is accepted, Bidder B wins 25,000 CO <sub>2</sub> allowances and pays at most \$3.75 per CO <sub>2</sub> allowance	\$93,750.00 ←
				<b>Bidder B's maximum bid value is counted against the financial security bid limitation</b>	<b>\$93,750.00</b>
Bidder C	\$3.85	10,000	10,000	If this bid is accepted, Bidder C wins 10,000 CO <sub>2</sub> allowances and pays at most \$3.85 per CO <sub>2</sub> allowance	\$38,500.00
Bidder C	\$3.25	20,000	30,000	If this bid is accepted, Bidder C wins 30,000 CO <sub>2</sub> allowances and pays at most \$3.25 per CO <sub>2</sub> allowance	\$97,500.00
Bidder C	\$3.00	40,000	70,000	If this bid is accepted, Bidder C wins 70,000 CO <sub>2</sub> allowances and pays at most \$3.00 per CO <sub>2</sub> allowance	\$210,000.00 ←
				<b>Bidder C's maximum bid value is counted against the financial security bid limitation</b>	<b>\$210,000.00</b>

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

**Table 6: 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 CO<sub>2</sub> Allowances Bid Limitation

The maximum number of CO<sub>2</sub> allowances that any Applicant, or group of associated applicants, may bid for in a single auction is 25% of the CO<sub>2</sub> allowances offered for sale in that auction. This bid limitation applies individually to Auction 14-2011 and Auction 14-2014.

Bid limitations based on previously disclosed corporate and bidding associations will be carried forward and applied to Auction 14.

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 CO<sub>2</sub> Allowance Auction. Disclosable 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 disclosable corporate and bidding associations.

#### **7.2.3.1 Identifying Disclosable Direct and Indirect Corporate Associations**

Disclosable 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 these 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. If a direct or indirect corporate association is disclosable, 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)
- 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 Disclosable Direct and Indirect Corporate Associations

The apportionment of the 25% quantity of CO<sub>2</sub> allowance bid limitation among bidders with a disclosable corporate association, as submitted in each bidder's approved qualification application, will be used to limit the quantity of CO<sub>2</sub> 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.

The quantity of CO<sub>2</sub> allowance bid limitation will be static during Auction 14 and not adjusted based on the activity of the other Applicant(s) with which any Applicant has a disclosable corporate association.

The FAQs include an example of how corporate associations are used.

### 7.2.3.3 Identifying Disclosable Bidding Associations

Disclosable bidding associations must be reported in the *Qualification Application*.

- An Applicant has a "bidding association" with another party if it:
  - Has agreed to provide assistance with financing to the other party
  - Is partnered with the other party for bidding purposes
  - Has entered into any explicit or implicit agreements, arrangements, or understandings of any kind relating to the CO<sub>2</sub> allowances offered for sale at an auction with the other party
  - Has agreed to provide assistance in any other way with the exception of investment or auction advisory services with the other party

Bidding associations must be disclosed if the parties agree in principle on all material terms prior to the *Qualification Application* submittal deadline. The Applicant must identify its position in any agreement (i.e., whether it is the "purchaser" or "recipient") on its *Qualification Application*, even if the agreement has not been reduced to writing. If the parties have had discussions but have not agreed in principle by the *Qualification Application* submittal deadline, they should not include the names of the party involved in such discussions on their *Qualification Applications*. This disclosure includes, but is not limited to, a corporate parent, subsidiary, sister company, partnership, broker, or financier.

If a bidding association is disclosable, the information that must be disclosed in the *Qualification Application* includes:

- The name of the other party with which the Applicant has a bidding association
- Designate 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"

- A brief description of the type of bidding association, which may include the following:
  - Corporate parent
  - Subsidiary
  - Sister company
  - Partnership
  - Broker
  - Financier
  - Other (provide a concise description)
- The maximum number of CO<sub>2</sub> allowances which the Applicant is to bid for on behalf of another Applicant, or the maximum number of CO<sub>2</sub> allowances which another Applicant is to bid for on behalf of the Applicant.

#### **7.2.3.4 Use of Disclosable Bidding Associations**

The submitted disclosable bidding associations in each bidder's approved qualification application will be used to limit the quantity of CO<sub>2</sub> allowances bid. The CO<sub>2</sub> allowance bid limitation of the bidder will be reduced by the maximum amount of CO<sub>2</sub> allowances the other bidder is to bid for on the bidder's behalf, set forth in each bidder's approved qualification application.

The quantity of CO<sub>2</sub> allowance bid limitation will be static during Auction 14 and not adjusted based on the activity of the other bidder(s) with which any bidder has a disclosable bidding association.

The FAQs include an example of how bidding associations are used.

### **7.3 Auction 14-2011 and Auction 14-2014**

Auction 14-2011 and Auction 14-2014 will open at 9:00 AM ET and close at 12:00 PM ET on Wednesday, December 7, 2011. 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 14 will be posted at <http://www.rggi.org> at 10:00 AM ET on Friday, December 9, 2011. 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 CO<sub>2</sub> allowances it has been awarded, if any.

### **8.2 Financial Settlement**

Financial settlement of Auction 14 will commence immediately after release of the auction clearing price. The Auction Platform provides each bidder with the total cost of the awarded CO<sub>2</sub> 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, December 14, 2011. The details for submitting cash by wire transfer are emailed to all potential bidders no later than 5:00 PM ET on Tuesday, November 22, 2011. 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, December 15, 2011.

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 14.

### 8.3 CO<sub>2</sub> Allowance Transfer

CO<sub>2</sub> allowances will be transferred to each winning bidder's RGGI COATS account no later than 5:00 PM ET on Thursday, December 22, 2011. All winning bidders will be notified via email when this transfer is complete.

CO<sub>2</sub> allowances will be transferred in lots. For Auction 14-2011 there will be 42,983 lots of 1,000 CO<sub>2</sub> allowances and one lot of 482 CO<sub>2</sub> allowances. Each lot will consist of CO<sub>2</sub> allowances from each Participating State closely in proportion to the percentages outlined in Table 2<sup>24</sup>. The lot of 482 CO<sub>2</sub> allowances is the final lot awarded and the bidder awarded this lot pays 482 times the clearing price for this lot.

For Auction 14-2014 there will be 1,864 lots of 1,000 CO<sub>2</sub> allowances and one lot of 951 CO<sub>2</sub> allowances. Each lot will consist of CO<sub>2</sub> allowances from each Participating State closely in proportion to the percentages outlined in Table 3. The lot of 951 CO<sub>2</sub> allowances is the final lot awarded and the bidder awarded this lot pays 951 times the clearing price for this lot.

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

## 9 Participating States Contact Information

For further information about a particular state's participation in Auction 14, please use the contact information in Table 7. For questions regarding the auction process, see Section 6.2.

State	Contact Information
Connecticut	Paul E Farrell <a href="mailto:paul.farrell@ct.gov">paul.farrell@ct.gov</a> 860.424.3389
Delaware	Valerie Gray <a href="mailto:valerie.gray@state.de.us">valerie.gray@state.de.us</a>

<sup>24</sup> Each winning bidder will receive a pro rata share of the allocation year 2009 CO<sub>2</sub> allowances and a pro rata share of 2010 CO<sub>2</sub> allowances.

State	Contact Information
	302.739.9402
Maine	Mike Karagiannes <a href="mailto:mike.karagiannes@maine.gov">mike.karagiannes@maine.gov</a> 207-287-2437
Maryland	Renee Fizer <a href="mailto:rfizer@mde.state.md.us">rfizer@mde.state.md.us</a> 410.537.4219
Massachusetts	Rachel Evans <a href="mailto:rachel.evans@state.ma.us">rachel.evans@state.ma.us</a> 617.626.7326
New Hampshire	Joe Fontaine <a href="mailto:joseph.fontaine@des.nh.gov">joseph.fontaine@des.nh.gov</a> 603.271.6794
New Jersey	Steven Jenks <a href="mailto:Steven.Jenks@dep.state.nj.us">Steven.Jenks@dep.state.nj.us</a> 609.292.1923
New York	Kevin Hale <a href="mailto:rggi@nyserda.org">rggi@nyserda.org</a> 518.862.1090
Rhode Island	Frank Stevenson <a href="mailto:frank.stevenson@dem.ri.gov">frank.stevenson@dem.ri.gov</a> 401.222.4700x7021
Vermont	Public Service Board <a href="mailto:psb.clerk@state.vt.us">psb.clerk@state.vt.us</a> 802.828.2358

**Table 7: 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 CO<sub>2</sub> Budget Trading Programs Auction Manager  
c/o World Energy Solutions, Inc.  
446 Main Street, 14th 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 CO<sub>2</sub> Allowance Auction.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION is such that if the Principal has a winning bid(s) in the CO<sub>2</sub> Allowance Auction and fails to satisfy its financial obligations by transferring sufficient funds by the time and date deadline in the CO<sub>2</sub> 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 December 22, 2011.

The Surety and the Principal hereby agree that their obligation will remain in full force until December 22, 2011.

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 CO<sub>2</sub> Allowance Auction 14**

The “Wire Transfer Remittance Form for CO<sub>2</sub> Allowance Auction 14” 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, November 30, 2011 to the following address:

RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager

Fax: 508.459.8101

Email: [auctionmanager@worldenergy.com](mailto:auctionmanager@worldenergy.com)

See Section 2.9.2 for more information.



## Wire Transfer Remittance Form for CO<sub>2</sub> Allowance Auction 14

**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 CO<sub>2</sub> Allowance Auction 14**

The “Certified Funds Remittance Form for CO<sub>2</sub> Allowance Auction 14” 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 CO<sub>2</sub> Budget Trading Programs Auction Manager  
c/o World Energy Solutions, Inc.  
446 Main Street, 14th 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, November 30, 2011 to the following address:

RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager  
Fax: 508.459.8101  
Email: [auctionmanager@worldenergy.com](mailto:auctionmanager@worldenergy.com)

See Section 2.9.3 for more information.

## Certified Funds Remittance Form for CO<sub>2</sub> Allowance Auction 14

***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 CO<sub>2</sub> Budget Trading Programs Auction Manager  
c/o World Energy Solutions, Inc.  
446 Main Street, 14th 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, December 22, 2011], 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 CO<sub>2</sub> Allowance Auction who has successfully completed the CO<sub>2</sub> 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., 446 Main Street, 14<sup>th</sup> 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 CO<sub>2</sub> 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 E – Financial Security Allocation Form for CO<sub>2</sub> Allowance Auction 14**

A Potential Bidder that intends on participating in both Auction 14-2011 and Auction 14-2014 must allocate its financial security between these two auctions by completing the “Financial Security Allocation Form for CO<sub>2</sub> Allowance Auction 14” contained in this appendix and submitting it to the Auction Manager no later than 5:00 PM ET on Wednesday, November 30, 2011.

A Potential Bidder must fax or email a copy of the completed form to the following address:

RGGI CO<sub>2</sub> Budget Trading Programs Auction Manager

Fax: 508.459.8101

Email: [auctionmanager@worldenergy.com](mailto:auctionmanager@worldenergy.com)

See Section 2.9 for more information.

## Financial Security Allocation Form for CO<sub>2</sub> Allowance Auction 14

*Name of Applicant*

--

In the fields below indicate the distribution, in percentages, of financial security between Auction 14-2011 and Auction 14-2014. This form must be received by the Auction Manager no later than 5:00 PM ET on Wednesday, November 30, 2011.

The percentages must add up to 100%.

<i>Auction</i>	<i>Percent</i>
Auction 14-2011	
Auction 14-2014	
Total	100.00%

**PAGE INTENTIONALLY RESERVED**

## **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, October 26, 2011.

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 CO<sub>2</sub> Budget Trading Programs Auction Manager  
c/o World Energy Solutions, Inc.  
446 Main Street, 14<sup>th</sup> 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](mailto: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*

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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 CO<sub>2</sub> Allowance Auction; (2) submit an *Intent to Bid* on behalf of the Applicant for any CO<sub>2</sub> 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?