

**Auction Notice  
for 310 CMR 7.74 Allowance  
Auction 2019-1  
on December 18, 2018**

Issued by:

The Commonwealth of Massachusetts  
Department of Environmental Protection  
1 Winter Street  
Boston, MA 02108

<https://www.mass.gov/orgs/massachusetts-department-of-environmental-protection>

Issued on November 2, 2018

Administered by:  
Enel X

One Marina Park Drive  
Boston, MA 02210



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## **1 General Information**

This document, *Auction Notice for 310 CMR 7.74 Allowance Auction 2019-1 on December 18, 2018* (“Auction Notice”), is the official notification for 310 CMR 7.74 Allowance Auction 2019-1 (“Auction 2019-1”) administered by Enel X North America, Inc. (“Enel X”) on behalf of the Massachusetts Department of Environmental Protection (“MassDEP”).

Auction 2019-1 is scheduled to take place from 9:00 AM ET<sup>1</sup> until 12:00 PM ET on Tuesday, December 18, 2018. 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 1.0* (“*Qualification Application*”) and the *Intent to Bid for 310 CMR 7.74 Allowance Auction 2019-1 on December 18, 2018* (“*Intent to Bid*”), can be found in an electronic format at <http://exchange.apps.enelx.com/webportal/Public/Announcement.aspx?ID=TeE6vYVomcs%3d> (“Auction Website”).

### **1.1 Introduction**

Massachusetts regulation 310 CMR 7.74: Reducing CO<sub>2</sub> Emissions from Electricity Generating Units was finalized in August 2017, and amended in December 2017 and August 2018. This regulation establishes a declining limit on carbon dioxide (CO<sub>2</sub>) emissions from large power plants in Massachusetts. The limit ensures that state programs, including the Clean Energy Standard, reduce greenhouse gas emissions. The regulation establishes an allowance trading program for CO<sub>2</sub> emissions from electricity generation.

Additional information about 310 CMR 7.74 is available at <https://www.mass.gov/guides/electricity-generator-emissions-limits-310-cmr-774>.

The regulation requires MassDEP to auction allowances equal to 25% of the 2019 emissions limit, 50% of the 2020 limit, and 100% of the limit for all later years, subject to adjustment to address “banked” allowances. Specifically, for each calendar year, allowances in a quantity equal to the number specified in 310 CMR 7.745(6)(a)2. and 3., subject to adjustment pursuant to 310 CMR 7.74(6)(f), will be available for sale by auction.<sup>2</sup> Auction procedures are specified in 310 CMR 7.74 (6)(h). Only owners and operators of electricity generating facilities are eligible to participate in auctions (see 310 CMR 7.74(6)(h)3.). When an auction occurs before April 1 of a compliance year, allowances are distributed on April 1 (see 310 CMR 7.74(6)(h)6.).

Pursuant to 310 CMR 7.74 6(h)1.i., auction proceeds must be deposited in a segregated auction account and expended to mitigate the impacts of climate change, including but not limited to clean energy and vehicle electrification projects; programs and projects to support adaptation to the impacts of climate change; mitigation or adaptation programs or projects involving communities that are already adversely impacted by air pollution, including but not limited to environmental justice communities; and for the administration of any such programs or projects. Auction proceeds may also be used for the administration of 310 CMR 7.74.

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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.

<sup>2</sup> The remaining balance of allowances for the compliance years of 2019 and 2020 will be allocated in accordance with the provisions of 310 CMR 7.74(6).

Please note that allowances auctioned pursuant to 310 CMR 7.74 can only be used to comply with requirements of 310 CMR 7.74, not with the requirements of any other regulatory program, including but not limited to, the Regional Greenhouse Gas Initiative, which is implemented in Massachusetts pursuant to a different regulation, 310 CMR 7.70.

In accordance with regulation 310 CMR 7.74, MassDEP has established a CO<sub>2</sub> Allowance Auction Trading Program, selected an agent to auction allowances (“Auction Platform”), which is administered and managed by the Enel X Auction Manager (“Auction Manager”). This *Auction Notice* is issued pursuant to 310 CMR 7.74(6)(h)2.

Contact information for the Auction Manager is as follows:

MassDEP Allowance Auction Manager  
 c/o Enel X  
 One Marina Park Drive  
 Suite 400  
 Boston, MA 02210  
 Phone: (774) 836-8772  
 Email: [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com)

## 1.2 Auction Schedule

Table 1 presents the current schedule for all events associated with Auction 1 (“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 Designated Representative and Bidder Representative(s).

Event	Date	Time
Release Auction Documents: <i>Auction Notice, Qualification Application, and Intent to Bid</i>	Friday, November 02, 2018	No later than 10:00 AM ET
Online question window opens	Friday, November 02, 2018	10:00 AM ET
Release webinar slides	Tuesday, November 06, 2018	10:00 AM ET
Hold bidder webinar no. 1	Thursday, November 08, 2018	1:00 PM ET to 2:00 PM ET
Hold bidder webinar no. 2	Friday, November 09, 2018	10:00 AM ET to 11:00 AM ET
Update FAQs, as needed	Thursday, November 15, 2018	No later than 12:00 PM ET
<b>Auction Documents due: Qualification Application and Intent to Bid</b>	<b>Friday, November 16, 2018</b>	No later than 5:00 PM ET
Auction Manager sends remediation notification and instructions to each Applicant	Wednesday, November 21, 2018	No later than 3:00 PM ET
Remediated auction documents due, where applicable	Tuesday, November 27, 2018	No later than 5:00 PM ET
Auction Manager sends qualification status to each Applicant	Thursday, November 29, 2018	No later than 5:00 PM ET
Auction Manager distributes usernames & passwords	Thursday, November 29, 2018	No later than 5:00 PM ET
Hold Auction Platform training sessions	Wednesday, December 05, 2018	1:00 PM ET to 4:00 PM ET
Hold Auction Platform training sessions	Thursday, December 06, 2018	1:00 PM ET to 4:00 PM ET

Event	Date	Time
<b>Financial security due</b>	<b>Wednesday, December 12, 2018</b>	No later than 5:00 PM ET
Auction Manager sends notification of participation status	Friday, December 14, 2018	No later than 5:00 PM ET
<b>Hold Auction</b>	<b>Tuesday, December 18, 2018</b>	9:00-12:00 PM ET
Auction Results Notification (email to regulated facilities)	Friday, December 21, 2018	No later than 5:00 PM ET
Optional cash settlement due	Monday, December 24, 2018	No later than 5:00 PM ET
Unused cash financial security returned	Friday, December 28, 2018	No later than 5:00 PM ET
Allowance transfers	Monday, April 1, 2019	No later than 5:00 PM ET

Table 1: Auction Schedule

### 1.3 Allowances Offered for Sale

Table 2 presents the allowances offered for sale in 310 CMR 7.74 Allowance Auction 2019-1 which are comprised of 5% of the 2019 emissions limit.

Allowances Offered For Sale	% of the Total 2019 Allocation Year Allowances
436,559	5%

Table 2: Allowances Offered for Sale in Auction 2019-1

### 1.4 Eligibility

To participate in Auction 2019-1, a party must meet all other participation requirements and follow all procedures outlined in this *Auction Notice*.

## 2 Participation Requirements

Participation in Auction 2019-1 is limited to owners and operators of electricity generating facilities as per CMR 7.74(6)(h).3. A list of eligible owners and operators is available at <https://macar.apx.com/>, under “Reports” (no login is required).

### 2.1 Qualification and Participation Requirements

In order to become qualified and participate in Auction 2019-1, each applicant must:

1. Complete and submit the *Qualification Application* as set forth in Section 2.7;
2. Complete and submit the *Intent to Bid* as set forth in Section 2.8; and
3. Meet the financial security requirements as set forth in Section 2.10.

Once qualified for an auction, an applicant is qualified to participate in future 310 CMR 7.74 auctions held by MassDEP, unless there has been a material change to information submitted in the approved qualification application, refer to Section 2.3.

MassDEP may, on a case-by-case basis, consider applicants that have been approved as bidders by DOER pursuant to 225 CMR 13.09(e), also known as the Regional Greenhouse Gas Initiative (“RGGI”), to be qualified bidders pursuant to 310 CMR 7.74(6)(h)4.a.v. Bidders qualified to participate in RGGI auctions may contact the MassDEP Auction Manager to determine if they are qualified bidders pursuant to 310 CMR 7.74(6)(h)4.a.v. at any time. However, such bidders must submit a Qualification Application in compliance with the submittal requirements described above and below.

## **2.2 Bidder Representative(s)**

Bidder Representative No. 1 and, if named, No. 2, represents the Applicant in any 310 CMR 7.74 allowance auction in which the Applicant participates. Bidder Representative No. 1, who must be an employee of the Applicant, receives a unique username and password for the Auction Platform, allowing him/her to submit bids in the 310 CMR 7.74 allowance auction in which the Applicant is approved to participate. The applicant's Designated Representative must complete and submit the Qualification Application as set forth in Section 2.7. The Bidder Representative(s) serve 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 310 CMR 7.74 auction. The principal mode of communication is email and the internet. If the Designated Representative wishes to participate in the auction, they must list themselves as Bidder Representative No. 1 or No. 2.

The integrity of each Allowance Auction depends upon the Bidder Representative(s) safeguarding confidential information and passwords used in each 310 CMR 7.74 allowance auction. A Bidder Representative can represent more than one (1) Applicant; however, the Applicants must have either a direct or indirect Corporate Association that must be disclosed in the *Qualification Application*. Each Bidder Representative must ensure that only authorized persons act on behalf of an Applicant in a 310 CMR 7.74 auction.

## **2.3 Qualification Application Submittal and Review**

To participate in Auction 2019-1, each applicant must submit a fully completed *Qualification Application*. The *Qualification Application* must be received by the Auction Manager no later than the date and time listed in the Auction Schedule (see Section 1.2). Submission instructions are contained in the *Qualification Application*.

MassDEP 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 whether or not its *Qualification Application* has been deemed incomplete or otherwise deficient, and the reason(s) for the determination.
3. Any new applicant will have until the date and time listed in the Auction Schedule 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. MassDEP 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 the date and time listed in the Auction Schedule as to whether its qualification has been granted or denied.

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

To participate in Auction 2019-1, each Applicant must submit a fully completed Intent to Bid. The Intent to Bid must be received by the Auction Manager no later than the date and time listed

in the Auction Schedule (see Section 1.2). Submission instructions are contained in the Intent to Bid.

MassDEP will review and determine the completeness of each Intent to Bid in the manner 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* will result in the *Intent to Bid* being declared incomplete. Each Applicant will be notified via email no later than the date and time listed in the Auction Schedule 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 the established deadline for any potential remediated documents as set forth in the Auction Schedule:
  - 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. MassDEP 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 the date and time listed in the Auction Schedule as to whether its *Intent to Bid* is determined complete or not.

## **2.5 Potential Bidder**

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

## **2.6 Submittal of Financial Security**

To participate in Auction 2019-1, financial security, in United States dollars ("USD"), must be received no later than the date and time listed in the Auction Schedule. The amount of financial security provided for Auction 2019-1 will be used to set bidding limitations in the auction. To determine how much financial security to provide in Auction 2019-1, see Section 7.2.2.

Only three forms of financial security are acceptable: (1) a bond issued by a United States financial institution, (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. Cash is the preferred form 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.

Enel X acts as agent for MassDEP for the purpose of financial settlement for 310 CMR 7.74 auctions. All cash financial security is held in an account established by Enel X for this purpose 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 MassDEP, 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 bonds will be cancelled according to the instructions of bidders.

### **2.6.1 Providing Financial Security by Bond**

The executable bond, issued by the financial institution, must be received by the Auction Manager no later than the date and time listed in the Auction Schedule at the following address:

MassDEP Allowance Auction Manager  
c/o Enel X  
One Marina Park Drive  
Boston, MA 02210

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 Monday, December 31, 2018.

A courtesy copy of the bond in portable document format (“PDF”) may be sent for information purposes only to the Auction Manager at [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com).

Bonds will be returned after they expire. Unless otherwise requested that a bond be returned, each bond with an expiration date extending beyond Monday, December 31, 2018, will continue to be held by Enel X on behalf of MassDEP as valid financial security for any future 310 CMR 7.74 auction.<sup>3</sup>

### **2.6.2 Providing Financial Security by Cash (Wire Transfer)**

Cash wire transfers must be received no later than the date and time listed in the Auction Schedule. All potential bidders will be emailed the details for submitting cash by wire transfer no later than 5:00 PM ET on Thursday, November 29, 2018. 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 Enel X’s designated bank 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 Auction 2019-1” to the Auction Manager, which is contained in

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<sup>3</sup> Provided such bond meets the minimum expiration date outlined in the applicable auction notice of the subsequent 310 CMR 7.74 Allowance Auction.

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 the financial security due date and time listed in the Auction Schedule to ensure that the financial security is credited to the appropriate Potential Bidder:

MassDEP Allowance Auction Manager  
Fax: (617) 224-9910  
Email: [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com)

Unused wire transfer balances will be returned via Automated Clearing House (“ACH”) credit no later than the date and time listed in the Auction Schedule.

The Auction Manager may request that a newly qualified potential bidder submit just their ACH credit information prior to the scheduled deadline.

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.

### **2.6.3 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 the date and time listed in the Auction Schedule at the following address:

MassDEP Allowance Auction Manager  
c/o Enel X.  
One Marina Park Drive  
Boston, MA 02210

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 Thursday, November 29, 2018. All checks must be made out to “Enel X” and will be deposited into the bank account established by Enel X for this purpose. 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 Auction 2019-1,” 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 Enel X no later than the financial security due date and time listed in the Auction Schedule to ensure that the financial security is credited to the appropriate Potential Bidder:

MassDEP Allowance Auction Manager  
Fax: (617) 224-9910  
Email: [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com)

Unused cash balances will be returned via ACH no later than the date and time listed in the Auction Schedule.

The Auction Manager may request that a newly qualified potential bidder submit just their ACH credit information prior to the deadline provided in the auction schedule.

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.

#### **2.6.4 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 the date and time listed in the Auction Schedule at the following address:

MassDEP Allowance Auction Manager  
c/o Enel X  
One Marina Park Drive  
Boston, MA 02210

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 Monday, December 31, 2018.

A courtesy copy of ILOC in PDF may be sent for information purposes only to the Auction Manager at [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com).

ILOCs will be returned after they expire. Unless otherwise requested that an ILOC be returned, each ILOC with an expiration date extending beyond Monday, December 31, 2018, will continue to be held by Enel X on behalf of MassDEP as valid financial security for any future 310 CMR 7.74 allowance auction.<sup>4</sup>

#### **2.7 Auction Participation Notification**

Each Potential Bidder that has successfully met the financial security requirements outlined in Section 2.6 may bid in Auction 2019-1. Each Potential Bidder will be notified no later than the date and time listed in the Auction Schedule whether or not it is approved to participate in the auction.

### **3 Confidential Information**

To maintain the integrity of the 310 CMR 7.74 auctions, 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.

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<sup>4</sup> Provided such ILOC meets the minimum expiration date outlined in the applicable auction notice of the subsequent 310 CMR 7.74 Allowance Auction.

If the Applicant has retained an advisor, defined as an entity or person(s) advising or assisting the Applicant with bidding strategy in Auction 2019-1, 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.

To claim that information submitted in a *Qualification Application* or *Intent to Bid* firm should be treated as a trade secret under Massachusetts Public Records Law, the applicant should submit a Request to Maintain Information Confidential form and a second, sanitized, version of the form with confidential information redacted. A Request to Maintain Information Confidential form can be found at <https://www.mass.gov/media/1410331> which can be used to make and support a confidentiality claim addressing the criteria for considering information to be confidential business information or a trade secret pursuant to 310 CMR 3.23. Once a confidentiality claim is made, MassDEP will keep the information subject to the claim confidential until a final determination is required by the receipt of a public record request for the information. The claim will then be evaluated and a final determination will be made with the criteria in 310 CMR 3.23 and requirements of 310 CMR 3.00. Additional information is available at <https://www.mass.gov/media/1702206>.

After the close of the auction, MassDEP may release certain aggregate information concerning the Auction 2019-1 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 as described in Section 7.2.3.1, the Applicant must disclose that association before the *Qualification Application* and *Intent to Bid* submission deadline, as required in the *Qualification Application*. After the relevant *Qualification Application* and *Intent to Bid* deadline, an Applicant may not enter into any other Corporate Associations.

Applicants may not communicate Confidential Information with any party other than those that the Applicant has identified as part of a Corporate 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 2019-1.

#### **5 Market Monitor**

MassDEP has retained the services of an independent market monitor that will monitor the auction and provide ongoing monitoring of allowance holdings and allowance transaction activity, among other activities. The market monitor will monitor bidder behavior in each auction and report to MassDEP 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 310 CMR 7.74 allowance auction or in the 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 two (2) identical one-hour webinars prior to Auction 2019-1. The webinars are intended for owners and operators of electricity generating facilities that are eligible to bid, but anyone may participate. Please refer to Section 2.0 for additional information on auction participation eligibility. The webinar will present the auction format, forms that need to be submitted, and an overview of the qualification process. Questions will be taken at the conclusion of the webinar. The webinars will be held on the dates and times listed in the Auction Schedule.

To register for webinar no. 1, please go to:

<https://enernoc.webex.com/enernoc/onstage/g.php?MTID=eb5e073f1471d3aff904cd5d92a9cf1b3>

Audio conference information:

Call-in toll free number (US/Canada): 1-877-668-4493

Call-in toll number (US/Canada): 1-650-479-3208

Global call-in numbers:

<https://enernoc.webex.com/enernoc/globalcallin.php?serviceType=EC&ED=495040623&tollFree=0>

Access code: 402 695 261

To register for webinar no. 2, please go to:

<https://enernoc.webex.com/enernoc/onstage/g.php?MTID=e95a122249e5ae61c259d9b680e67c621>

Audio conference information:

Call-in toll free number (US/Canada): 1-877-668-4493

Call-in toll number (US/Canada): 1-650-479-3208

Global call-in numbers:

<https://enernoc.webex.com/enernoc/globalcallin.php?serviceType=EC&ED=495040953&tollFree=0>

Access code: 401 435 490

To access the webinar slides, go to the Auction Website listed in Section 1.0, and download them. The slides for the webinar will be posted on the Auction Website no later than the date and time listed in the Auction Schedule. A recorded version of the webinar will be made available no later than five (5) days after the conclusion of the second webinar.

### **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 [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com). The question window opens at the date and time listed in the Auction Schedule. Questions will be answered promptly by the Auction Manager throughout the auction cycle.

Email is the sole means to submit a question or comments 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 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 Website, no later than the date and time listed in the Auction Schedule.

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

Upon notification of qualification, usernames and passwords will be provided.<sup>5</sup> Usernames do not expire and will provide continuous access to the Auction Platform; however, passwords must be periodically updated. Note that access to the Auction Platform does not automatically provide access to bidding functions for Auction 2019-1—all other participation requirements must be met.

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

MassDEP Allowance Auction Manager  
Phone: (774) 836-8772  
Fax: (617) 224-9910  
Email: [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com)

### **6.4 Auction Platform Training Sessions**

Auction Platform training will be provided only for those qualified to participate in Auction 2019-1. Applicants qualified to participate can request a training session by contacting the Auction Manager. Identical training sessions will be held on the dates and times listed in the Auction Schedule. 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 2019-1 will be conducted.

### **7.1 Auction Overview**

Auction 2019-1 will be conducted using an electronic, internet-based platform that bidders will use to submit bids<sup>6</sup> in a uniform-price, sealed-bid auction format. All bids are ranked by bid price from high to low. Then, cumulative demand<sup>7</sup> is noted at each bid. The clearing price<sup>8</sup> and allowance awards will be determined using these ranked bids according to the following possible scenarios.

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<sup>5</sup> Previously qualified applicants will not be issued new usernames and/or passwords; their current usernames and passwords will remain active.

<sup>6</sup> A bid consists of a price per allowance, or bid price, and a quantity of allowances, or bid quantity.

<sup>7</sup> 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>8</sup> The per allowance price at which all allowances offered for sale in the auction will be sold.

1. If total demand<sup>9</sup> is less than or equal to the supply of allowances offered for sale in the auction, the clearing price is the reserve price. All bids would be awarded allowances.
2. If total demand is greater than the supply of allowances offered for sale in the auction and,
  - a. the cumulative demand at a bid exactly equals the supply of 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>10</sup> 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 allowances offered for sale in the auction at some point, the clearing price is the bid price of the marginal bid(s). Allowances are awarded to all bids with bid prices greater than the clearing price. In addition, 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. 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 allowances than are available, that bid will be partially fulfilled with the remaining available supply.

Other features of Auction 2019-1 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 whole number.
- There is no minimum bid quantity.
- 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 MassDEP constitutes a binding contract for the purchase of the awarded allowances, subject to applicable state and federal law. As detailed in Section 8.1, bidders will receive an auction results notification email for Auction 2019-1 no later than the date

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<sup>9</sup> The sum of the bid quantities of all bids in the auction.

<sup>10</sup> The marginal bid is the bid that causes cumulative demand for allowances to be greater than or equal to the supply of allowances offered for sale in the auction. If multiple bids cause cumulative demand for allowances to be greater than or equal to the supply of allowances offered for sale in the auction at the same price, then all of these tied bids are considered marginal bids.

and time listed in the Auction Schedule. Once a bidder logs in to the Auction Platform, they will see the total cost of the awarded allowances and the amount to be paid or drawn from the bidder’s financial security.

Table 3 illustrates the bids in a uniform-price, sealed-bid auction format<sup>11</sup> for 100,000 allowances. All bids are ranked by bid price from high to low and cumulative demand is noted at each bid price.

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

In summary, bidders would receive the following awards.

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

Table 3 also illustrates the bids from a uniform-price, sealed-bid auction format,<sup>12</sup> but is designed to highlight the tiebreaking process as well as what happens when the number of allowances offered for sale is not evenly divisible by 1,000. Therefore, this example is an

<sup>11</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 310 CMR 7.74 Allowance Auction.

<sup>12</sup> See Footnote 11.

auction for 100,100 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 3: Tiebreaking Process Example**

Bidder E, D, A, and B's bid for allowances at \$3.75 causes cumulative demand to be greater than the supply of 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 allowance. Allowances are awarded to all bids with bid prices greater than \$3.75 per allowance, the clearing price.

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 allowances are awarded to each tied bidder in increasing order by the value of their assigned random number until no allowances are left.

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

In summary, bidders would receive the following awards.

- Bidder A – 25,100 allowances at a total cost of \$94,125.
- Bidder B – 10,000 allowances at a total cost of \$37,500.
- Bidder C – 10,000 allowances at a total cost of \$37,500.
- Bidder D – 25,000 allowances at a total cost of \$93,750.
- Bidder E – 30,000 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>13</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 310 CMR 7.74 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>14</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 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 Minimum Reserve Price Bid Limitation**

The reserve price for Auction 2019-1 is \$0.50 per allowance.

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

### **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

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<sup>13</sup> <http://msdn.microsoft.com/en-us/library/system.random.aspx>. Last accessed Monday, June 18, 2018.

<sup>14</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 Monday, June 18, 2018.

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 4 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 allowances and pays at most \$4.95 per allowance	\$49,500.00
Bidder A	\$4.80	11,000	21,000	If this bid is accepted, Bidder A wins 21,000 allowances and pays at most \$4.80 per allowance	\$100,800.00 ←
Bidder A	\$3.05	12,000	33,000	If this bid is accepted, Bidder A wins 33,000 allowances and pays at most \$3.05 per allowance	\$100,650.00
Bidder A	\$2.15	13,000	46,000	If this bid is accepted, Bidder A wins 46,000 allowances and pays at most \$2.15 per 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 allowances and pays at most \$4.10 per allowance	\$41,000.00
Bidder B	\$3.75	15,000	25,000	If this bid is accepted, Bidder B wins 25,000 allowances and pays at most \$3.75 per 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 allowances and pays at most \$3.85 per allowance	\$38,500.00
Bidder C	\$3.25	20,000	30,000	If this bid is accepted, Bidder C wins 30,000 allowances and pays at most \$3.25 per allowance	\$97,500.00
Bidder C	\$3.00	40,000	70,000	If this bid is accepted, Bidder C wins 70,000 allowances and pays at most \$3.00 per 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 allowances and pays at most \$4.70 per allowance	\$94,000.00 ←
Bidder D	\$2.25	16,000	36,000	If this bid is accepted, Bidder D wins 36,000 allowances and pays at most \$2.25 per 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 allowances and pays at most \$5.00 per allowance	\$135,000.00
Bidder E	\$4.10	12,000	39,000	If this bid is accepted, Bidder E wins 39,000 allowances and pays at most \$4.10 per allowance	\$159,900.00
Bidder E	\$3.80	10,000	49,000	If this bid is accepted, Bidder E wins 49,000 allowances and pays at most \$3.80 per 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 4: 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 Allowances Bid Limitation**

The maximum number of allowances that any Applicant, or group of associated applicants, may bid for in a single auction is 50% of the allowances offered for sale in that auction.

Bid limitations based on previously disclosed Corporate Associations will be carried forward and applied to Auction 2019-1.

Any change to the previously disclosed Corporate 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 310 CMR 7.74 Allowance Auction. Corporate 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 ApplicantControls 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 50% quantity of allowances 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 allowances bid by each of the bidders with a Corporate Association. The 50% 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 50% 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.

### **7.3 310 CMR 7.74 Allowance Auction 2019-1**

Auction 2019-1 will open at 9:00 AM ET and close at 12:00 PM ET on the date listed in the Auction Schedule. 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 Auction Results Notification**

Bidders will be notified no later than the date and time listed in the Auction Schedule that the auction results have been approved by MassDEP and that the auction results (i.e., clearing price and awards) are available for viewing in the Auction Platform.

Financial settlement of Auction 2019-1 will commence immediately after the auction results notification is sent out. The Auction Platform provides each bidder with the total cost of the awarded 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.

#### **8.1.1 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 account established by Enel X for this purpose no later than the date and time listed in the Auction Schedule. The details for submitting cash by wire transfer are emailed to all potential bidders simultaneously along with the auction results notification. 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 the next business day following the optional cash settlement due date.

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

### 8.1.2 Return of Financial Security

See Sections 2.6.1 through 2.6.4 for information about how each type of financial security is returned after Auction 2019-1.

### 8.2 Allowance Transfer

Allowances will be transferred to each winning bidder's Massachusetts Carbon Allowance Registry account no later than the date and time listed in the Auction Schedule. All winning bidders will be notified via email when this transfer is complete. Please note that 310 CMR 7.74(6)(h)6 provides that transfers resulting from auctions that occur before April 1 of a calendar year shall occur on April 1, 2019.

## 9 MassDEP Contact Information

For further information about the 310 CMR 7.74: Reducing CO<sub>2</sub> Emissions from Electricity Generating Facilities regulations and auction, please use the contact information in Table 5. For questions regarding the auction process, see Section 6.2.

Agency	Contact Information
MassDEP	Will Space Phone: (617) 292-5610 Email: <a href="mailto:william.space@state.ma.us">william.space@state.ma.us</a>

**Table 5: 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:

MassDEP Allowance Auction Manager  
c/o Enel X  
One Marina Park Drive  
Suite 400  
Boston, MA 02210  
Phone: (774) 836-8772  
Fax: (617) 224-9910  
Email: [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com)

See Section 2.10.1 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 Enel X North America, Inc. ("the Auction Manager"), 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 the Massachusetts Department of Environmental Protection ("MassDEP"), to become a Potential Bidder in the 310 CMR 7.74 Allowance Auctions.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION is such that if the Principal has a winning bid(s) in the 310 CMR 7.74 Allowance Auction and fails to satisfy its financial obligations by transferring sufficient funds by the time and date deadline in the 310 CMR 7.74 Allowance Auction Notice; then within two (2) business days of receipt of written demand from the Auction Manager, the Surety shall pay, in immediately available funds, the demanded portion of the Bond, up to its full amount. The written demand of the Auction Manager 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) the Auction Manager'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 31, 2018.

The Surety and the Principal hereby agree that their obligation will remain in full force until December 31, 2018.

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 310 CMR 7.74 Allowance Auction 2019-1**

The “Wire Transfer Remittance Form for 310 CMR 7.74 Allowance Auction 2019-1” 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, December 12, 2018 to the following address:

MassDEP Allowance Auction Manager  
c/o Enel X  
Phone: (774) 836-8772  
Fax: (617) 224-9910  
Email: [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com)

See Section 2.10.2 for more information.

### Wire Transfer Remittance Form for 310 CMR 7.74 Allowance Auction 2019-1

**Name of Applicant**

**Street Address**

**City**

**State**

**Postal Code**

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 310 CMR 7.74 Allowance Auction 2019-1**

The “Certified Funds Remittance Form for 310 CMR 7.74 Allowance Auction 2019-1” 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:

MassDEP Allowance Auction Manager  
c/o Enel X  
One Marina Park Drive  
Suite 400  
Boston, MA 02210  
Phone: (774) 836-8772  
Fax: (617) 224-9910  
Email: [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com)

In addition, a Potential Bidder must fax or email the completed form no later than 5:00 PM ET on Wednesday, December 12, 2018 to the following address:

MassDEP Allowance Auction Manager  
c/o Enel X  
Phone: (774) 836-8772  
Fax: (617) 224-9910  
Email: [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com)

See Section 2.10.3 for more information.

### Certified Funds Remittance Form for 310 CMR 7.74 Allowance Auction 2019-1

**Name of Applicant**

**Street Address**

**City**

**State**

**Postal Code**

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:

MassDEP Allowance Auction Manager  
c/o Enel X  
One Marina Park Drive  
Suite 400  
Boston, MA 02210  
Phone: (774) 836-8772  
Fax: (617) 224-9910  
Email: [massdepauctionmanager@enel.com](mailto:massdepauctionmanager@enel.com)

See Section 2.10.4 for more information.

## Form of Irrevocable Letter of Credit

Irrevocable Letter Of Credit No. \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

Beneficiary:

Enel X North America, Inc.  
One Marina Park Drive  
Suite 400  
Boston, MA 02210

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 Monday, December 31, 2018], 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 \_\_\_\_\_.
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 310 CMR 7.74 Allowance Auction who has successfully completed the 310 CMR 7.74 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 Enel X North America, Inc., One Marina Park Drive, Suite 400, Boston, MA 02210. 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: Enel X North America, 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,

Enel X North America, 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 310 CMR 7.74 Allowance Auction and Enel X North America, 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,

Enel X North America, 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,

Enel X North America, Inc.

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_ (Applicant)