

# Auction Format

Massachusetts Task Force  
Webinar

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# Agenda

- Structure of a Round
- One Lease Area
- Two Lease Areas
- More than Two Lease Areas
- Multiple Factor Auction

# Structure of a Round

- BOEM publishes the asking price.
- Bidders place bids.
- Round closes.
- Auction continues when there is more than 1 “live” bid (i.e., meets asking price) on any lease area.
- If the auction continues, BOEM posts the following information for bidders:
  - The number of other “live” bids on each lease area, and
  - The next round’s asking price.
  - Bidders do NOT know who is in or out on any particular lease area.
- Repeat
- Note: this type of auction is called “ascending clock auction”

# Example: One Lease Area

| Round                               | Bidder 1  | Bidder 2  | Bidder 3  | Bidder 4  | Bidder 5  |
|-------------------------------------|---|---|---|---|---|
| Who wants the lease area for \$100? |  |  |  |  |  |
| Who wants the lease area for \$150? |  |  |  |  |  |
| Who wants the lease area for \$200? |  |  |  |  |  |
| Who wants the lease for \$250?      |  |  |  |  |  |
| <b>Result:</b>                      |   | <b>WINNER</b>   |   |   |   |

**Remember**—bidders will not have access to this much information during the auction.

# One Lease Area

- The chart we just saw contains more information than bidders will have access to during the auction.
- We will tell bidders the number of live bids on each lease area, and the asking prices. Their chart for the same auction will look like this:

| Area    | R1 Price | Live Bids | R2 Price | Live Bids | R3 Price | Live Bids | R4 Price | Live Bids |
|---------|----------|-----------|----------|-----------|----------|-----------|----------|-----------|
| Lease 1 | \$100    | 5         | \$150    | 4         | \$200    | 2         | \$250    | 1         |

# Asking Prices

- BOEM determines the asking prices and asking price increments.
- The initial asking price = minimum bid as announced in sale notice.
- When two or more bidders submit live bids, we raise the price in the next round (otherwise, the auction ends).
- Increments will be set by BOEM during the auction and may be different for successive rounds.

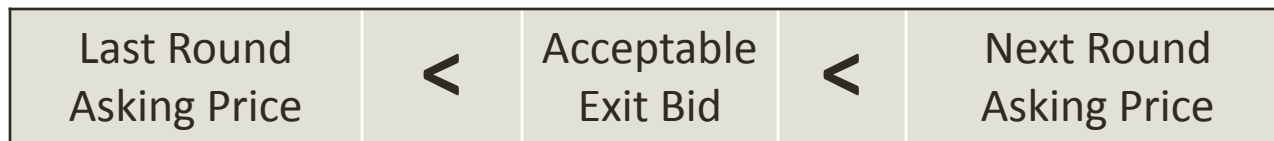
# One Lease Area: Exit Bids

- But what if...

|                                     | Bidder 1  | Bidder 2  | Bidder 3  | Bidder 4  | Bidder 5  |
|-------------------------------------|---|---|---|---|---|
| Who wants the lease area for \$100? |  |  |  |  |  |
| Who wants the lease area for \$150? |  |  |  |  |  |
| <b>Result:</b>                      | <b>Winner?</b>  | <b>Winner?</b>  | <b>Winner?</b>  | <b>Winner?</b>  | <b>Winner?</b>  |

# One Lease Area: Exit Bids

- Our Solution? Exit Bids.
- When you drop out, you can “name your price.”
- The price you name must be in this range:













You already offered  
to pay this...

You're saying this  
is too high...



# One Lease Area: Exit Bids

Same scenario, but with exit bids...

|                                     | Bidder 1  | Bidder 2  | Bidder 3  | Bidder 4  | Bidder 5  |
|-------------------------------------|---|---|---|---|---|
| Who wants the lease area for \$100? |  |  |  |  |  |
| Who wants the lease area for \$150? |  |  |  |  |  |
|                                     | No exit bid<br>(default =\$100)   | \$133   | \$129   | \$142   | \$111   |
| <b>Result:</b>                      |   |   |   | <b>Winner!</b>  |   |

**Reminder: Bidders do not see each others' Exit Bids during the auction. They see only the number of live bids and the asking prices.**

# Two Lease Areas

- A two lease area auction is a little like holding two single lease area auctions at the same time, and letting bidders participate in both, or either one, or they can switch from one auction to the other.
- Multiple lease areas require a few extra rules.
  - Eligibility: There are restrictions on when you can change the number of lease areas you are bidding on.
  - We use “Intra-Round Bids” instead of Exit Bids.
  - Under certain circumstances, BOEM will “Carry Over” a bid.
  - Determining the winner can be a little more complicated.

# Two Lease Areas: Eligibility

- A bidder's individual **eligibility** is the number of lease areas it is permitted to include in its bid.
- From one round to the next, a bidder's eligibility may stay the same, or go down, but it may never go up.

| Okay<br>R1      | R2              | Effect on<br>Eligibility |
|-----------------|-----------------|--------------------------|
| North and South | Only South      | 2 → 1                    |
| North and South | North and South | 2 → 2                    |
| South           | South           | 1 → 1                    |
| South           | Out             | 1 → 0                    |
| North and South | Out             | 2 → 0                    |

| Not Okay<br>R1 | R2              | Effect on<br>Eligibility |
|----------------|-----------------|--------------------------|
| South          | North and South | 1 → 2                    |
| Nothing        | North           | 0 → 1                    |

# Two Lease Areas: Eligibility

- Initial Eligibility: The number of lease areas you can bid on in the opening round is determined by the bid deposit you gave to BOEM before the auction.
  - \$450,000 bid deposit = Initial Bid Eligibility of 1
  - \$900,000 bid deposit = Initial Bid Eligibility of 2
- BOEM returns bid deposits to unsuccessful bidders following the auction.
- The winning bidders' bid deposits will be credited to their bids.

# Two Lease Areas: Intra Round Bids

- In a One Lease Area auction, bidders can submit an “Exit Bid,” which is a best and final offer before they leave the auction.
- In a Two Lease Area auction, we would call that an Intra-Round Bid.
- How is an Intra-Round Bid different from an Exit Bid?
  - An Intra-Round bid can be submitted both when you are staying in the auction and when you are entirely exiting.
  - You can submit an Intra-Round Bid any time you reduce your Eligibility.

| R1              | R2              | Eligibility | Intra-Round Bid Possible?  |
|-----------------|-----------------|-------------|----------------------------|
| North and South | South           | 2 → 1       | Yes—on N&S                 |
| North and South | North and South | 2 → 2       | No.                        |
| South           | South           | 1 → 1       | No.                        |
| South           | Out             | 1 → 0       | Yes—on S (like Exit Bid)   |
| North and South | Out             | 2 → 0       | Yes—on N&S (like Exit Bid) |

# Two Leases: Intra-Round Bids

- One more rule about Intra-Round Bids...
  - An Intra-Round Bid can ONLY be placed for the same lease area(s) that were in the bidder's previous-round live bid.

|          |       | R1 | IRB   |
|----------|-------|----|-------|
| Bidder A | North |    |       |
|          | South |    | \$150 |

|          |       | R1 | IRB   | R2 |
|----------|-------|----|-------|----|
| Bidder A | North |    |       |    |
|          | South |    | \$300 |    |

- This means the following Intra-Round Bids are not allowed:

|          |       | R1 | IRB   |
|----------|-------|----|-------|
| Bidder A | North |    | \$150 |
|          | South |    |       |

|          |       | R1 | IRB   | R2 |
|----------|-------|----|-------|----|
| Bidder A | North |    |       |    |
|          | South |    | \$150 |    |

# Two Lease Areas

| Bidder   | Area  | R1    | IRB-R2 | R2    | IRB-R3 | R3    | IRB-R4 | R4    | Result |
|----------|-------|-------|--------|-------|--------|-------|--------|-------|--------|
| Prices   | North | \$100 |        | \$130 |        | \$180 |        | \$180 |        |
|          | South | \$100 |        | \$150 |        | \$180 |        | \$230 |        |
| Bidder A | North | ✓     |        | ✓     | \$290  | ✓     |        | ✓     | Win!   |
|          | South | ✓     |        | ✓     |        | ✗     |        | ✗     |        |
| Bidder B | North | ✗     |        | ✓     |        | ✗     |        | ✗     |        |
|          | South | ✓     |        | ✗     |        | ✓     | \$200  | ✗     |        |
| Bidder C | North | ✓     |        | ✓     |        | ✗     |        | ✗     |        |
|          | South | ✗     |        | ✗     |        | ✓     | \$185  | ✗     |        |
| Bidder D | North | ✗     |        | ✗     |        | ✗     |        | ✗     |        |
|          | South | ✓     |        | ✓     |        | ✓     |        | ✓     | Win!   |
| Demand   | North | 2     |        | 3     |        | 1     |        | 1     |        |
|          | South | 3     |        | 2     |        | 3     |        | 1     |        |

# Two Lease Areas

Bidders will not see all the information on the previous slide. Remember—BOEM only tells bidders the number of live bids for each area, and the asking prices. Here is what bidders would see.

| Area  | R1 Price | Live Bids | R2 Price | Live Bids | R3 Price | Live Bids | R4 Price | Live Bids |
|-------|----------|-----------|----------|-----------|----------|-----------|----------|-----------|
| North | \$100    | 2         | \$130    | 3         | \$180    | 1         | \$180    | 1         |
| South | \$100    | 3         | \$150    | 2         | \$180    | 3         | \$230    | 1         |

BOEM plans to make this information available to the public during the auction. BOEM would not make public any information during the auction that bidders do not have access to. We may make all bidding information available at a later time.



# Two Lease Areas: Carrying Over a Bid

- If you submit a bid on a lease area, and no one else submits a bid that includes that lease area, BOEM will carry forward that bid for you in the next round.
- If you were okay with your bid last round, you should still be okay with that bid this round.
- When this happens, you are “frozen.” BOEM will enter your old bid for you in the current round.
  - You can’t drop out.
  - You can’t submit an Intra-Round Bid.
  - You can’t switch away from that area.



# Two Lease Areas

| Bidder   | Area  | R1    | IRB-R2 | R2    | IRB-R3 | R3    | IRB-R4 | R4    | Result |
|----------|-------|-------|--------|-------|--------|-------|--------|-------|--------|
| Prices   | North | \$100 |        | \$130 |        | \$180 |        | \$180 |        |
|          | South | \$100 |        | \$150 |        | \$180 |        | \$230 |        |
| Bidder A | North |       |        |       | \$290  |       |        |       | Win!   |
|          | South |       |        |       |        |       |        |       |        |
| Bidder B | North |       |        |       |        |       |        |       |        |
|          | South |       |        |       |        |       | \$185  |       |        |
| Bidder C | North |       |        |       |        |       |        |       |        |
|          | South |       |        |       |        |       | \$200  |       |        |
| Bidder D | North |       |        |       |        |       |        |       |        |
|          | South |       |        |       |        |       | \$201  |       | Win!   |
| Demand   | North | 2     |        | 3     |        | 1     |        | 1     |        |
|          | South | 3     |        | 2     |        | 3     |        | 1     |        |



= Carried Forward Bid

# Two Lease Areas: Determining Winners

We have a few extra rules for determining a winner.

- A live bid in the final round beats any conflicting bids.
- A bid on two lease areas is ONE bid—it either wins (both lease areas) or it loses (both lease areas). BOEM will never split up two-area bids.

| Bidder   | Area  | R1    | IRB-R2 | R2    | Result |
|----------|-------|-------|--------|-------|--------|
| Prices   | North | \$100 |        | \$100 |        |
|          | South | \$100 |        | \$150 |        |
| Bidder A | North |       | \$225  |       |        |
|          | South |       |        |       |        |
| Bidder B | North |       |        |       | Win!   |
|          | South |       |        |       |        |
| Demand   | North | 1     |        | 1     |        |
|          | South | 2     |        | 0     |        |

Note: Here, South goes unsold. BOEM passed up Bidder A's bid for \$225 for both in favor of Bidder B's bid for \$100 for North.

- In certain cases, winners for some of the lease areas are determined in a 2-stage process. This is explained in the Sale Notice.

# More than Two Lease Areas

- Rules are the same as for two lease areas
- A bidder may bid on lease areas that are not continuous
- Bid Eligibility of 5 = Deposit \$450,000 x 5

# Multiple Factor Auction

- The MA auction will be a “Multiple Factor Auction.” This means that we will consider factors other than the cash bid.
- Non-Monetary Factors:
  - Power Purchase Agreement
  - Any other factors will be announced in Sale Notice
- BOEM designates a panel to consider non-monetary submissions before the monetary auction.
- Bidders receiving credits are assigned bidding credits up to 25%, as provided in the Sale Notice. It is possible that no one will receive a bidding credit.
- If you win more than one lease and have a credit, it applies only to the highest-valued lease.

# Questions?

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