

Bureau of Ocean Energy Management
Frequently Asked Questions on BOEM's Renewable Energy Auctions
For ATW-05 for Leases Offshore New Jersey

(1) Question: How is this lease sale different from previous BOEM lease sales?

Response: In terms of the auction format, this lease sale is different because although there are two lease areas being offered, a bidder cannot bid on both at the same time. This means that a single bidder cannot win both lease areas. This change simplifies the bidding process significantly, which is why BOEM has prepared this separate FAQ specifically for the New Jersey auction.

(2) Question: Is your auction format like other auctions that I am already familiar with – such as eBay auctions or “open outcry” auctions?

Response: Yes and no.

Multiple products are offered at same time in the auction.

- Similar to eBay auctions, BOEM auctions can have several products (*i.e.*, lease areas) up for auction simultaneously.
- Unlike eBay, a BOEM bidder can only bid on one product at a time.

Prices increase over the course of the auction.

- Similar to open outcry auctions, the auctioneer announces a price for each product for each round throughout the auction and bidders indicate which lease area, if any, they are interested in.
- In some open outcry auctions, if the price goes up by too much, the auctioneer might decrease the asking price and continue. In BOEM auctions, prices never go down—in each round, they stay the same or increase until the auction is over.
- In some open outcry auctions, bidders can raise prices by calling out a higher offer to move things along. In a BOEM auction, the auctioneer sets all asking prices in all rounds.
- In open outcry auctions, the asking price for a product goes up as soon as one bidder places a bid at the asking price (outbidding the other bidder). In BOEM auctions, the asking price for a product will only go up if there are two or more bidders bidding for that product at the asking price.
- In a BOEM auction, if a bidder wants to bid an amount between last round's asking price and this round's asking price, they can do so for the lease area they were

bidding for in the last round. This special bid, the Intra-Round Bid, is a “best-and-final offer.” Intra-Round bids are described in greater detail below.

Bidders can switch their bids during the course of the auction.

- Similar to eBay auctions, bidders can switch their bids from one product to another based on what represents the best value to them at the time.
- Bidding continues until the asking price for every product reaches an amount that at most one bidder is willing to pay.
- However, if a bidder is the only one who submitted a bid for that lease area in that round, then that bidder is “locked in” and will continue to have that same bid at the same price in the next round. This is similar to being the high bidder for one or more products during an eBay auction, staying put while other products in the auction are rising in price.
- Like other auction formats, if you are the sole remaining bidder for a product at the final asking price, you win. If any lease areas do not receive a final round bid at the full asking price, then that lease area will go to another bidder who submitted the next highest bid.

Bidders cannot sit out early rounds; they must bid in every round.

- In many auctions, you can sit out early rounds if you want to. For example, in some auctions (*e.g.*, eBay) many bidders wait until the last possible moment to bid. In BOEM's auction, bidders need to bid in the first round, and need to remain active in every round until leaving the auction. Once a bidder stops bidding, he cannot return.

(3) Question: How do bid deposits work? How much do I need to post?

Response: Anyone who would like to bid in a BOEM auction needs to post a bid deposit before the auction. The amount of the bid deposit is \$450,000.

(4) Question: Under what circumstances could I lose that bid deposit?

Response: BOEM may retain your bid deposit if you win the auction, but fail to do any of the following in a timely manner: (1) pay your bonus bid (*i.e.*, the amount of your provisionally winning bid in the auction); (2) post financial assurance in accordance with the requirements of the Final Sale Notice; or (3) execute the lease copies and return them to BOEM. Generally, BOEM has the right to retain your bid deposit if you fail to comply with any applicable BOEM regulations or the terms of the Final Sale Notice.

(5) Question: What is bid eligibility?

Response: Bid eligibility represents the maximum number of leases you can bid on in a given round. In the New Jersey lease sale, your bid eligibility is one until a round goes by in which you don't submit a bid—then it's zero. Bid eligibility is a more nuanced concept in other BOEM auctions where you can submit multi-lease area bids.

(6) Question: Are there any restrictions on which lease areas I can bid on in a given round?

Response: Generally, no. You are free to use your eligibility to place live bids on whatever lease area you want (Intra-Round Bids are more restricted—for more on that, see the response to the question, “Are there any restrictions on which lease area(s) I can include in my Intra-Round Bid?”).

If you bid on one lease area in the first round, you can stick to that lease area in round two, or you can switch to any other lease area offered in the auction. You can switch to a lease area that nobody bid on in the last round, or to a lease area that everybody bid on in the last round.

This means that the auction is not over for any lease area until the auction is over for all lease areas. Even if you have the current high bid for a lease area over several rounds, you have not won until there is one or zero live bids for each other lease area offered in the auction. Until the auction has concluded, all lease areas are available to all bidders.

There is, however, one exception. In a given round, if your bid is uncontested—meaning no one else also placed a bid on the same lease area—you're effectively frozen in the next round, and cannot switch your bid to other lease areas or drop out of the auction. BOEM will automatically enter your prior bid (at the same price) for the same lease area(s) in the next round.

This sounds threatening, but it shouldn't. It is important to note that the auctioneer only raises prices on lease areas that receive multiple bids. This means if your bid is frozen, (or “carried forward” in auction parlance) the amount of your bid will also remain frozen.

In any case, the bid will only remain frozen until a round in which the lease area is contested (that is, it receives two or more bids). Then your bid will become unfrozen, and you will be free to bid on any area you wish.

(7) Question: How fast will BOEM raise asking prices?

Response: If a lease area gets zero or one bid, then the asking price on that area will stay the same. If a lease area gets more than one bid, BOEM will raise the price. How much the price increases is entirely within BOEM's discretion. However, BOEM generally tries to

increase the price slowly enough that it will not overshoot the anticipated clearing price by too much, but quickly enough that the auction ends within a reasonable time.

(8) Question: What do you mean when you say a bid is a “live” bid?

Response: A “live” bid is one that meets BOEM’s full asking price. For example, if BOEM sets an asking price of \$350,000 for a lease area in round 2 of an auction, a “live” bid is a bid for \$350,000 on that area.

(9) Question: What is an “Intra-Round Bid”?

The other kind of bid is an Intra-Round Bid. A bidder may place an Intra-Round Bid when the new asking price is too high. It is called an Intra-Round Bid because the amount of the bid is between the asking prices of one round and the next. An Intra-Round Bid is a best-and-final offer for one lease area before you exit the auction (which is why BOEM sometimes uses the term “exit bid”).

An Intra-Round Bid must be for the same lease area submitted by that bidder in the previous round. That is, if you submit a live bid on Lease A in one round, you cannot submit an Intra-Round Bid on Lease B in the next round. You don’t have to worry about inadvertently breaking this rule. The auction system only accepts Intra-Round Bids on the last bid you submitted. Still, it’s worth keeping in mind.

(10) Question: Tell me more about the differences between live and Intra-Round Bids.

Response: There are two other differences worth noting. First, the auction ends in the first round where no lease area receives more than one live bid. Intra-Round Bids are not counted in this determination—the auction could end even if there were lease areas that received multiple Intra-Round Bids.

Second, only the number of live bids is shared with bidders in between rounds. Bidders can access the number of live bids that each lease area received in the previous round. No Intra-Round Bid Information is disclosed.

(11) Question: How does BOEM determine who won?

Response: BOEM starts by looking at the last round. If anyone submitted a live bid in the last round, that bid wins.

If there was a lease area where no one submitted a live bid in the last round, the winner will be the highest bid placed on that area, whether it’s a live bid from an earlier round, or an Intra-Round Bid, subject to one limitation.

The limitation is that a bidder can only win with one of his bids. Without this limitation, it's possible (though unlikely) that bids from the same bidder in different rounds could win. The limitation is an important one—it allows bidders to control how much they have at stake in the auction. A bidder will never be held responsible for more than he bid in any single round.

(12) Question: What happens in the event of a tie?

Response: Ties are not particularly likely, especially if bidders make use of Intra-Round Bids, though they are still possible. In the event of a tie, the winner will be selected using a randomized process.