

**Bureau of Ocean Energy Management
Frequently Asked Questions
For ATW-6 for Lease Area OCS-A 0512 Offshore New York**

Question 1: How is this lease sale different from previous BOEM offshore wind lease sales?

Response: There are two major differences between this auction and offshore wind auctions BOEM has held previously. In terms of the auction format, this auction is the first to feature a "Limited Opportunity to Revoke." Also, although BOEM has held other multiple-factor offshore wind auctions, this is the first multiple-factor auction to offer a non-monetary credit to bidders that can establish that they are a "government authority."

Question 2: Please explain what you mean by "Limited Opportunity to Revoke."

Response: A detailed explanation of the Limited Opportunity to Revoke was presented at a November 18, 2016 seminar held in Sterling, Virginia. Materials from that meeting are available on BOEM's website at: <https://www.boem.gov/New-York/>.

As provided in the FSN, in this lease sale, a provisionally winning bidder will have a chance to revoke its winning bid without forfeiting its bid deposit, if two conditions are met. First, the provisionally winning bidder must have reserved the right revoke in its "Reservation of Limited Opportunity to Revoke" form, which is due to BOEM by November 28. Second, the second highest bid must be submitted by an entity meeting the definition of a "government authority."

If these two elements are satisfied, then BOEM will offer the provisionally winning bidder one hour following the auction to revoke its provisionally winning bid without penalty. If the provisionally winning bidder revokes its bid, the government authority will then become the new provisionally winning bidder and will be subject to the requirements found in 30 CFR 585.224. In this case, the provisionally winning bid will be the government authority's highest bid for the lease area. If the provisionally winning bidder does not revoke its bid within the designated hour, BOEM's requirements for that bidder will be the same as it would be for a sale without the opportunity to revoke.

Question 3: Please explain the non-monetary credit and how it factors into this auction.

Response: BOEM is offering a 10% non-monetary bid credit in this lease sale for government authorities. In order to be considered for this non-monetary credit, BOEM must receive a bidder's nonmonetary package establishing that the bidder meets the definition of a government authority no later than November 28, 2016.

For purposes of this auction, a "government authority" is defined as:

A governmental entity, political subdivision thereof, or public benefit corporation exercising executive and/or regulatory functions within the United States.

Any bidder that has properly demonstrated that it is a governmental authority will receive a 10% credit in each round of the auction in which it submits a bid. This credit will be applied throughout the auction in each round as a form of imputed payment against the asking price in a bidder's multiple-factor bid, meaning, the bidder will be required to offer a monetary payment of 10% less for any bid submitted that is determined to be the provisionally-winning bid in the auction.

For example, the opening bid price in the auction will be \$158,700. A government authority would receive a bid credit worth \$15,870, meaning it would need to offer a monetary bid of \$142,830.

Question 4: 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.

Prices increase over the course of the auction.

- Similar to open outcry auctions, the auctioneer announces a price in each round, and bidders indicate whether or not they are interested.
- 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 like this one, prices never go down—they go up in each round.
- 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 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 last auction price). In BOEM auctions, the asking price will only go up if there are two or more bidders at the asking price.
- BOEM auctions feature “Exit Bids,” (discussed in Questions 10-11) which have not exact analogue in open outcry auctions.

Bidders cannot sit out early rounds; they must bid in every round to be eligible to bid later.

- In many auctions, bidders can sit out early rounds if they 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, s/he cannot return.

Question 5: How do bid deposits work? How much do I need to post?

Response: Any eligible bidder listed in the FSN that would like to bid in the New York lease sale must have posted a \$450,000 bid deposit via pay.gov by the end of the day on November 28, 2016.

Question 6: Under what circumstances could I lose my bid deposit?

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

There is one exception to this in the New York lease sale—the Limited Opportunity to Revoke. If the required conditions are met, BOEM will offer the provisionally winning bidder an opportunity to revoke its provisionally winning bid without losing its bid deposit. This is described in more detail in Question 2.

Question 7: What is bid eligibility?

Response: Bid eligibility represents the maximum number of leases a bidder can bid on in a given round. Bidders may see the term in some of the bidding screens on the auction platform during the auction. In the New York lease sale, a bidder's bid eligibility is one until a round goes by in which the bidder either doesn't submit a live bid or submits an exit bid—then it's zero. Bid eligibility is a more nuanced concept in other BOEM auctions where bidders can submit multi-lease area bids.

Question 8: How will BOEM raise asking prices for the lease area?

Response: How much the price increases from one round to the next is entirely within BOEM's discretion. However, as a general matter, BOEM 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 (*i.e.*, one to two days).

Question 9: 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 in round 2 of an auction, a "live" bid is a bid for \$350,000 on that area. An Exit Bid is not considered a "live" bid.

Question 10: What is an "Exit Bid"?

Response: An Exit Bid is a bid for an amount lower than the current round's asking price, but higher than the previous round's asking price. It is called an Exit Bid because it will be the last bid a bidder is permitted to submit in the auction.

If all the remaining bidders in an auction leave the auction in the same round, the bidder with the highest Exit Bid would be the provisional winner. Alternatively, if all the remaining bidders in an auction leave the auction in the same round without submitting Exit Bids, then all those bidders would be tied for the highest bid (at the previous round's asking price). As you can see, Exit Bids are an important tool for preventing ties.

Question 11: Tell me more about the differences between live and Exit Bids.

Response: There are two other notable differences between live and Exit Bids. First, the auction ends in the first round where the lease area receives no more than one live bid. Exit Bids are not counted in this determination—the auction could end even if BOEM received multiple Exit Bids (but one or fewer live bids) in the last round.

Second, only the number of live bids is shared with bidders between rounds. Bidders can access the number of live bids were received in the previous round. No Exit Bid information is disclosed.

Question 12: How does BOEM determine who won?

Response: BOEM starts by looking at the last round. If anyone submitted a live (full asking price) bid in the last round, that bid is the winning bid.

If no one submitted a live bid in the last round, the winning bid will be the highest bid placed on that area, whether it's an Exit Bid, or a live bid from an earlier round.

Question 13: What happens in the event of a tie?

Response: Ties are not particularly likely, given each bidder's ability to submit an Exit Bid, though they are still possible. In the event of a tie, the winner will be selected using a randomized process.