

SCHEDULE 8

Regulation 42

DETERMINATION OF BASE PRICE

Base price

1.—(1) OFCOM shall determine a base price for each winning principal stage bid by imposition of the requirements that the base prices must satisfy that are set out in paragraphs 2 to 5.

(2) Where a base price so determined includes a fraction of a pound, the base price shall be that price rounded up to the nearest pound.

First requirement

2. The base price for each winning principal stage bid shall be—
- (a) no less than the total of the round prices in the first primary bid round for the lots included in the selection of lots in that winning principal stage bid; and
 - (b) no greater than the amount of that winning principal stage bid.

Second requirement

3.—(1) Taking the base prices for the winning principal stage bids together, the base prices shall be such that if—

- (a) the amount bid by each winning bidder for the selection of lots in its winning principal stage bid had been the base price rather than the amount of its winning principal stage bid (“reduced winning principal stage bid”), and
- (b) the amount bid by each winning bidder in respect of each other valid principal stage bid made by that bidder had been reduced by an amount equal to the difference between the amount of its winning principal stage bid and the base price for that winning principal stage bid,

the combination of the reduced winning principal stage bids submitted by the winning bidders would have been the valid combination of principal stage bids or one of the valid combinations of principal stage bids (as the case may be) having the highest total value of amounts bid.

(2) The bids mentioned in sub-paragraph (1)(a) and (b) shall, after reduction of the amount of those bids in accordance with those paragraphs, be treated as valid principal stage bids for the purposes of this paragraph.

Third requirement

4. Taking the base prices for the winning principal stage bids together, the total of those base prices shall be no greater than the total of any other prices for the winning principal stage bids that satisfy the requirements set out in paragraphs 2 and 3.

Fourth requirement

5.—(1) Taking the base prices for the winning principal stage bids together, the opportunity cost variance of those base prices calculated in accordance with sub-paragraph (2) shall be less than the opportunity cost variance, calculated in accordance with sub-paragraph (2), of any other prices for the winning principal stage bids that satisfy the requirements set out in paragraphs 2 to 4.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

(2) The opportunity cost variance (“ OCV_B ”) of the prices mentioned in sub-paragraph (1) is the amount calculated in accordance with the formula—

$$OCV_B = \sum (p_B - c_B)^2$$

where—

“ p_B ” is the price for a winning principal stage bid; and

“ c_B ” is the amount calculated in accordance with the formula set out in sub-paragraph (3) in respect of that winning principal stage bid.

(3) The formula is—

$$c_B = u_B - t_B + b_B$$

where—

“ u_B ” is the amount calculated in accordance with sub-paragraph (4);

“ t_B ” is the total amount of the winning principal stage bids; and

“ b_D ” is the amount of the winning principal stage bid for which p_B is the price.

(4) The amount calculated in accordance with this sub-paragraph is the total amount of the valid combination of principal stage bids or one of the valid combinations of principal stage bids (as the case may be) having the highest total value of amounts bid, where the valid combination or combinations of principal stage bids do not include any of the principal stage bids made by the winning bidder that submitted the winning principal stage bid for which p_B is the price.

Interpretation

6. In this Schedule “valid combination of principal stage bids” shall be construed in accordance with regulation 41.