

Dutch Borssele Offshore  
Wind Project: DONG  
Energy July 2016 Bid –  
Market Update on  
Multi-Bid Strategy

Update

In our previous update on the Dutch Borssele Offshore Wind Project, we reported that the tenders for Borssele Wind Farms Sites I & II were both awarded to DONG Energy, which was chosen ahead of 37 other competing bids. [It has now come to light](#) that, as part of the July 2016 tender process, DONG Energy submitted more than half of the bids (21 of the 38 bids submitted), by submitting 21 applications for tender, each through a special purpose DONG Energy entity.

Under the tender regulations that applied to Borssele Sites I & II, an entity was permitted to submit an application for both sites separately and for both sites on a bundled basis. A bundled application was treated as one application and had to be either awarded in full or rejected in full. To win, the bid of the bundled application had to be ranked equal to the highest ranked non-bundled bid on each of the respective sites.

As a result, when submitting a bid for the combined sites, there was a risk that a competitor might submit a lower bid for just one of the sites meaning that the bundled bid would have to be rejected in full.

We understand that multiple bids were submitted by the various [DONG Energy Borssele entities](#), in order to address this risk. In particular, we understand that DONG Energy won the concessions with an average bid strike price, excluding transmission costs, of 7.27 eurocent per kWh, and that each of the bundled bids led to the same average price. To illustrate through an example:

	Site I – bid price in eurocent per kWh	Site II – bid price in eurocent per kWh
<b>Bid 1</b>	7,27	7,27
<b>Bid 2</b>	8,27	6,27
<b>Bid 3</b>	9,27	5,25

DONG Energy have noted that the submission of multiple bids may ultimately be beneficial for Dutch taxpayers. In particular, the submission of multiple bids allows the lowest average cumulative price to be selected, rather than a lower bid for one of the sites being submitted (and a higher bid being submitted separately for the other site) which results in the lower average cumulative bid being rejected in full, and an overall higher average price being applicable. For example, if DONG Energy only submitted Bid 3 in the table above, and a bidder A submitted a bid of EUR 8,27 eurocent per kWh for Site I, and a bidder B submitted a bid of EUR 8,27 eurocent per kWh for Site II, DONG Energy's combined bid would have been rejected in full, as the Site I bid from bidder A is 1 eurocent per kWh cheaper, and DONG Energy's bid cannot be awarded in part. Assuming that there are no other bidders, the tender would be awarded to bidder A and bidder B, with an average bid price of EUR 8,27 eurocent per kWh; 1 eurocent per kWh higher than the combined bid price of DONG Energy's bid of EUR 7,27 eurocent per kWh. However, limiting the amount of entities within a company that can submit a bid may also force companies to reduce their price on each site to ensure that they are not undercut in this way.

[Energy company Vattenfall](#) has sought clarification from the Dutch government as to the validity of DONG Energy's tactic. While the tender regulations (esp. the Wind Energy at Sea Regulations 2015, *Regeling windenergie op zee 2015*) do not expressly prohibit a corporate group from submitting bids in this way, the regulations do refer to applicants only submitting one application per site, and/or a combined application for both sites. It remains to be seen if any of the losing bidders will look for ways to challenge the award as a result of these revelations.

In the meantime, the Wind Energy at Sea Regulations 2016 (Regeling windenergie op zee 2016) that apply to Borssele Sites III & IV have not been amended to prohibit a repetition of DONG's bidding strategy. The [Dutch government has stated](#) that it may not be able to review a significantly higher number of bids during the upcoming tenders, if more parties decide to bid in this way. Therefore it will look into amending the application process for the upcoming tenders. The Dutch government expects to amend the regulations to reflect that an entity can only allow a maximum of two subsidiaries to rely on the parent's financial viability in relation to the financial requirements. In our view the Dutch government may also look to disregard bids by related entities who acted together while determining their bids, similar to current Dutch procurement practice.

See also: [Dutch Borssele Offshore Wind Project: First lessons learned from the DONG bid](#)

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