Electronic Auction

An Electronic Auction (e-Auction) is a procurement auction performed electronically. The most common type of e-Auction is a “reverse auction). In the correct application, it can be a very effective procurement tool for both organisations and suppliers, in that the buying organisation will benefit from significant price reduction, while the supplier benefits because an e-Auction is, effectively, a very open and transparent competition.

Where it is possible for the buying organisation to define the content of the procurement documents, in particular the technical specification, in precise detail, an electronic auction can be used in conjunction with:

- The open procedure
- The restricted procedure
- The competitive procedure with negotiation
- The process to conduct mini-competitions under a Framework Agreement
- The process to award a contract under a dynamic purchasing system

An electronic auction **must not** be used:

- in public services or public works contracts whose subject matter involves intellectual activities, such as the design of works, since this does not allow for ranking using automatic evaluation methods
- to prevent, restrict or distort competition

A electronic auction should not be used to procure or commission social care services

Typically, to achieve good value through the use of an e auction, best practice recommends that the following conditions are satisfied:

- the purchase should be of sufficiently high value to generate reasonable savings (you will need to cover the cost of running the auction)
- There should be a sufficient number of potential bidders in order to have an adequate level of participation in the auction.

- There should be sufficient scope for more competitive pricing (i.e. the current price margins should not already be very low)

Having decided to use an electronic auction at the point of strategy development, the intention to hold an electronic auction must be specified in the contract notice and carried out only after a full evaluation of the submitted tenders. Note that you must be satisfied by the suitability of all the participants to bid, therefore exclusion and selection documentation relative to the e-Auction participants must be checked in advance of the auction commencement.

Your procurement documents must at least include:

- Details of the features / values that will be evaluated through the e-Auction and how these will be expressed in figures or percentages.
- Any limits on the values to be submitted.
- A list of the information that will be provided, and when it will be made available to bidders during the electronic auction.
- Information explaining the electronic auction process.
- The conditions under which the bidders will be able to bid and particularly the minimum differences that may be required when bidding.
- Information detailing the electronic equipment to be used and the arrangements and technical specifications for connection.

Electronic auctions require a precise specification. They must be based on:

- price and/or on new values of the features of tenders indicated in the specification where the contract is to be awarded on the basis of MEAT

All those who submit admissible tenders shall be invited simultaneously to participate in the electronic auction process. This invitation shall include:

- Details regarding the time and date of the auction start, duration and any extension periods.
- Method of evaluation (including any mathematical formulae used, starting prices, bid decrements etc.).
- How the advertised weightings will be applied to the final evaluation.
- Where applicable, how lotting will be applied.
- How separate calculations will be used where variants are permitted.

Throughout each phase of an electronic auction, contracting authorities must instantly communicate to all tenderers enough information to allow them to calculate their relative rankings at any given time. They may add other information where this has been indicated previously (e.g. the number of current participants) but they must never disclose the identities of tenderers at any time during the electronic auction.

The electronic auction must be closed in one of the following ways:

- at a previously indicated date and time
- when no more new prices or values are received that meet the buying organisation’s minimum differences – as long as they have already stated the time they will allow after the last submission before closing the auction
- when the number of phases already indicated has been completed.

The closure method must be clearly stated in the invitation, along with any relevant timetables.

On completion of the electronic auction, contract award must be made in line with the information provided in the contract notice.

Post-Tender Negotiations **must not** be undertaken following an electronic auction.