



2 GHz Auction – Auction Rules

1. Introduction

The competitive selection procedure that will be used by the Norwegian Post and Telecommunications Authority (NPT) to assign usage rights to spectrum in the bands 1920-1980 / 2110-2170 MHz (2 GHz band) will be referred to as an auction. The procedure is an administrative selection procedure under Norwegian administrative law, and the legal consequences of participation in the auction are described in these rules.

1.1. Radio spectrum auction method and requirements

The auction will be run electronically over the public Internet using encryption to allow only registered bidders to participate. Bidders should follow the recommended setup for hardware and software in the auction system user manual, which will be supplied to registered bidders. No specialist software is required, but bidders will need a reliable Internet connection with a recommended download bandwidth of at least 512 kb/s. Use of a screen resolution of minimum 1280x1024 is recommended.

Authorised representatives of bidders will prior to the test auction receive digital certificates, as well as a username and passwords, which will be required to participate in the test auction and the auction.

1.2. Installation and testing

User names and passwords will be distributed to registered bidders. Cryptographic material (similar to conventional digital certificates) must be installed, but no installation of special software is required. However, the bidders must have access to a regular web browser, for instance Internet Explorer (IE8 or higher), Chrome (version 4 or higher), Safari (version 4 or higher), Firefox (version 4 or higher) or Opera (version 11 or higher).

1.3. Auction opening

The auction will start 19 November 2012.

2. Participation, liability and legal consequences

2.1. Participation in the auction

Any person or undertakings registered in the EEA or Switzerland may register for the auction. Note that the companies must be registered with an organisation number from The Brønnøysund Register Centre (www.brreg.no) before a frequency licence will be issued.

In cases where persons or entities would be treated as a single unit with respect to Article 53 (1) of the EEA agreement (Article 101 (1) of the TEU Treaty), only one of these may register as a bidder. Bidders may not have more than one bid vehicle; that is, only one person can commit bids on behalf of a bidder.

2.2. Authorised representative

The receipt of digital certificates, username and passwords by the authorised representative of a bidder implies that NPT may assume that any bids submitted in the auction are submitted on

behalf of the relevant bidder. The bidder must immediately report to NPT any suspicion of loss or breach of confidential security codes.

2.3. Liability for foreseeable situations

Bidders bear all liability for foreseeable situations on the bidders' side such as technical failures, local telephone service interruptions, adverse local weather conditions, unavailability of the authorised representative, the loss or breach of confidential security codes inter alia.

2.4. Legal consequences of bidding

By bidding, the bidder agrees to be bound in accordance with the rules set out in this document. Bids are unconditional and irrevocable. Bids remain binding until 31 March 2013. Bidders may be released from their bids by notification from NPT before this date.

Bidders receiving a notification in accordance with the rules, cf. section 5.3 are obliged to pay the price of the bid in the manner and to the place of payment stated by NPT.

3. Registration

Bidders must be registered in order to participate in the auction. Registering does not commit a bidder to submit a bid.

NPT decides whether registration has been successful or not based on the rules set out below.

3.1. Documents and general requirements for registration

Registration involves the following documents:

Registration form

The registration form includes requests for information about the bidder and its authorised representative, as well as a number of declarations concerning inter alia collusion.

Guarantee

A guarantee is payable on demand, and may be used by NPT in case a declared winner fails to pay for a licence. Those companies which already submitted a guarantee in connection with the application deadline 4 July 2012 are exempted from this requirement.

Due to the Norwegian State acting as self-insurer, from July 2007 onwards central bodies and categories of bodies governed by public law are exempted from presenting a bank guarantee. The NPT decides which bodies fall under the exemption.

The guarantee amounts to NOK 1 000 000. The overall objective of the guarantee is to ensure that those registering for the auction have a genuine interest in the available frequency resource. The size of the guarantee is in no way related to NPT's expectations concerning the possible value of the frequency resource and, hence, the final outcome of the auction.

The size of the guarantee does not restrict bidders with regard to how much they are permitted to bid during the auction; in other words, as the auction proceeds, the value of a bidder's bids may well exceed the amount guaranteed by the bidder.

The guarantee must be valid until 31 December 2012. It must be issued by a financing institution registered in the European Economic Area (EEA), and otherwise meet the requirements stipulated by NPT.

Declaration on unauthorisation to impede the payment under the guarantee

This declaration is related to the guarantee.

Formal requirements for registration are summarised in the table below:

Item no.	Forms	Compulsory use of NPT form	Signature required
1	Bidder details	Yes	
2	Person(s) empowered to sign (firmaattest)	No	
3	Declaration on choice of law and agreed venue	Yes	Person(s) entitled to sign for the Bidder
4	Prohibition of collusion	Yes	Person(s) entitled to sign for the Bidder
5	Declaration on financial situation and legal establishment	Yes	Person(s) entitled to sign for the Bidder
6	Declaration on unauthorisation to impede payments	Yes	Person(s) entitled to sign for the Bidder
7	Guarantee	Text only (no changes or additions compared to the NPT text)	Person(s) entitled to sign for "The Bank" in relation to the guarantee

The registration form must be completed in English.

Only original documents (i.e. no duplicates) will be accepted.

Documents must be delivered or sent to NPT in a sealed envelope marked "2 GHz Auction registration".

NPT will only accept registration if documents are delivered in person or sent by mail, and received by NPT within the deadline.

3.2.Procedure for delivery of documents in person

If documents are delivered in person, appointments for delivery must be made beforehand with Mr. John-Eivind Velure or Mr. Andreas Askland (telephone number: + 47 22 82 46 00).

Mr. Velure or Mr. Askland will provide further instructions regarding delivery. The address for delivery in person is:

Post- og teletilsynet
Nygård 1
Lillesand

The deadline for documents delivered in person is **22 October 2012, 1500 CET**. The bidder must ensure that documentation is complete and in accordance with requirements. The bidder assumes the risk of ensuring that documents reach the relevant contact person in NPT before the deadline. The deadline will be enforced rigorously.

Written receipts, confirming that registration documents have been received, will be issued by NPT.

3.3. Procedure for sending documents by mail

Documents shall be sent to:

Post- og teletilsynet
Postboks 93
N-4791 Lillesand

The deadline for documents sent by mail is **22 October 2012, 1500 CET**, i.e. the documents must be received by NPT before the deadline. The bidder must ensure that documentation is complete and in accordance with requirements. The bidder assumes the risk of ensuring that documents reach the NPT letter box before the deadline. The letter box will be emptied immediately after the deadline. Documents are regarded as having been submitted in time if they are received by NPT before the deadline. The deadline will be enforced rigorously.

E-mail receipts to confirm that registration documents have been received will be issued.

4. Objects of the auction

4.1. Frequency blocks

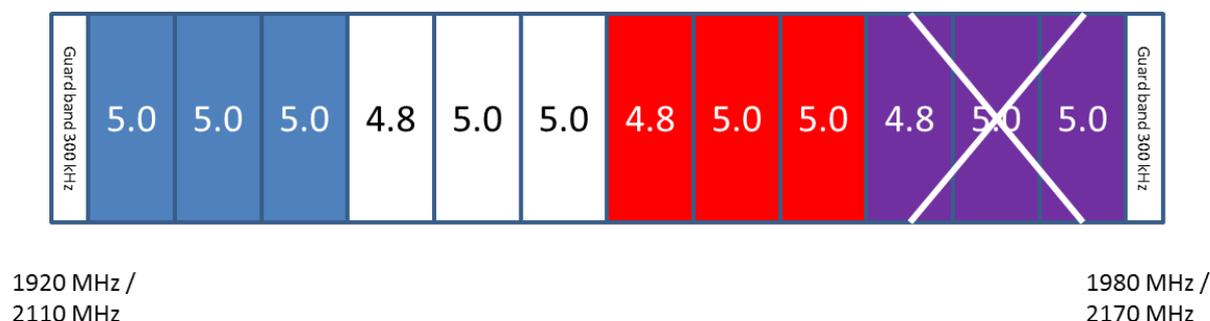


Figure 1 - Frequencies included in the auction

As shown in Figure 1 the lots in the auction will consist of blocks of either 2 x 4.8 MHz or 2 x 5.0 MHz. The lots will be considered equal, although two of the blocks will have a bandwidth of 2 x 4.8 MHz and seven blocks will have a bandwidth of 2 x 5.0 MHz. The frequency licence held by Mobile Norway expires 01.01.2020 and these blocks are not included in the auction.

The lots will be made available as abstract blocks, i.e. real placement of the blocks will not be known before the auction, and the actual placement will be decided in a secondary phase (step two).

Step one

The first step decides the amount of spectrum that is awarded to each participant through a clock auction. There are 9 available frequency blocks (equivalent to 9 paired channels of approximately 2 x 5 MHz) in this stage.

Step two

Step two is outside the auction procedure. NPT will decide on the actual placement of the frequency blocks in an administrative decision as described in section 5.1.6.

4.2. Reserve prices and price increments

The reserve price is NOK 5 000 000 for each paired block in step one (clock auction).

The reserve prices do not indicate NPT's estimate of the value of the lots.

Price increments are set at the discretion of NPT.

4.3. General structure of the auction and definitions

The first step decides how many frequency blocks will be allocated to each bidder. The second step decides how the licences will be arranged in the frequency band.

4.3.1. Step one

In the first step of the auction the price level will increase until demand for blocks does not exceed supply (simultaneous ascending clock auction). NPT sets a price per block, before each clock round. The bidders specify how many blocks they are willing to buy at the given price. NPT increases the price until the total demand is lower than or equals the number of available blocks. If the clock auction closes with unsold blocks, some bidders will be given the opportunity to submit a sealed bid for unsold blocks, cf. section 5.1.5.

4.3.2. Step two

The second step determines placement of different bidders within the frequency band after step one has determined the amount of spectrum each bidder wins. The step two procedures are described in section 5.1.6.

4.3.3. Spectrum Cap and initial eligibility

The spectrum cap in the 2 GHz band will be 2 x 20 MHz, i.e. 4 blocks per bidder. This means that no bidder can exceed 2 x 20 MHz of total spectrum in the 2 GHz band, including spectrum that a bidder may possess prior to the auction that expires after 01.12.2012. This implies that if Mobile Norway will participate in the auction, they can bid for up to 2 x 5 MHz, i.e. 1 block of spectrum, while all other bidders can bid for up to 2 x 20 MHz, i.e. 4 blocks of spectrum.

The initial eligibility for each bidder, except Mobile Norway, equals 4 blocks. If Mobile Norway decides to participate in the auction they will have an initial eligibility of 1 block due to their existing spectrum holdings in the band.

4.3.4. Definitions

Key terms

Definition

Bid A legally binding offer to buy a specified amount of frequency blocks for a specific price per frequency block.

Eligibility Step 1: The maximum number of blocks on which a bidder is permitted to bid in the current round. In the clock rounds, eligibility is the number of blocks the bidder placed a bid for in the previous clock round. The initial eligibility for each bidder is equal to the spectrum cap. In the market clearing round, a bidder's eligibility equals the eligibility in the final clock round less the number of blocks that the bidder bid for in the final clock round.

Step 2: N/A

5. Auction rules

5.1. Step 1 – Clock auction

5.1.1. Bids

Each clock round starts and ends at a predetermined time, set (and changed if needed) by the auctioneer. Auction system time shall be used.

NPT sets the price in each clock round and the bidders make a bid by specifying how many blocks they want to buy at that specific price.

NPT then increases the price until the demand is equal to or lower than the number of available blocks.

5.1.2. Eligibility

The initial eligibility for each bidder equals 4 blocks. If Mobile Norway decides to participate in the auction they will have an initial eligibility of 1 block due to their existing spectrum holdings in the band.

Eligibility in the second and subsequent clock rounds equals the number of blocks the bidder placed a bid for in the previous clock round.

5.1.3. Information

Prior to each bidding round the following will be published (and will be possible to access throughout the bidding round) to each bidder through the auction system:

- price per block (in the clock rounds)
- the bidder's current eligibility
- total demand in the previous round
- start and end time for the upcoming round

At all times during the auction the auction system shall continuously update the current system time. Each bidder will also be able to see the information for earlier rounds (price per block, the bidder's eligibility, total demand, start and end time for rounds) and the bidder's past bids at all times during the auction.

If the total demand is 10 or 11, bidders will be informed about the total demand in the previous round in an interval. In this case, bidders will be informed that the total demand was [10-11]. In all other cases, i.e. if total demand in the previous round was not 10 or 11, bidders will be informed of the exact total demand in the previous round.

Bidders that have bid for zero blocks will not receive any information prior to a new clock bidding round after they have placed their zero bid. They will only receive information about the market clearing round if they are eligible to bid in the market clearing round.

5.1.4. End of clock bidding

Clock bidding stops when total demand does not exceed the number of available blocks. Bidders that submitted bids in the final clock round win the number of blocks they bid for and pay a price for each of these blocks equal to the price in the final clock round.

5.1.5. Market clearing round

If the clock rounds end with excess supply, i.e. demand drops below supply instead of reaching equilibrium, a market clearing round will be held. A market clearing round will however not be carried out if there is excess supply in the first clock round. Unsold blocks after the first clock round will remain within the jurisdiction of NPT.

In the market clearing round, NPT announces to bidders the number of blocks for which they can make a bid. A bidder's eligibility for the market clearing round equals the eligibility in the final clock round less the number of blocks that the bidder bid for in the final clock round. Bidders that did not bid below their eligibility in their final clock round will therefore not be able to bid in the market clearing round.

A bid in the market clearing round consists of a single bid irrespectively of how many blocks the bidder is eligible to bid for. The bid represents a legally binding offer to buy the number of frequency blocks that the bidder is eligible to bid for in the market clearing round at the specified price per frequency block. Bid prices must be equal to or larger than the price in the penultimate clock round, but cannot exceed the price in the final clock round. If a bidder that is eligible to bid in the market clearing round does not enter any bid, his bid will be taken as equal to the price in the penultimate clock round. All bids must be integer amounts in NOK.

Bidders will be ranked according to their bids. If several bidders bid the same amount and they cannot all be winning bidders due to the available supply, ties are broken randomly between the bidders. Blocks are allocated to bidders according to their rank. This means that first the highest-ranked bidder is allocated the number of blocks the bidder was eligible to bid for, or, if fewer blocks are available, only these blocks. If after the highest-ranked bidder has been allocated blocks there are more blocks available, then the second-highest-ranked bidder is allocated blocks, and so on. Winning bidders pay a price for each of the blocks won in the market clearing round equal to their bid in the market clearing round.

If only one bidder is eligible to bid in the market clearing round, the market clearing round will not be carried out. Instead, the eligible bidder will be assigned the blocks that are available for sale in the market clearing round at a price per block equal to the price in the penultimate clock round.

5.1.6. Step 2 – Assignment of specific frequency blocks

Step two is outside the auction procedure. NPT will decide on the actual placement of the frequency blocks to winners of the auction by taking into account the following, in prioritised order:

1. Contiguity of frequency blocks. All winning bidders will be given contiguous spectrum. Any unsold blocks after the first clock round will also be contiguous.
2. Existing placement in the band of current licensees. NPT will take into account which frequency blocks each of the existing licensees have and place as many of the new licences as possible in the same positions.
3. Maximum one of the blocks that consists of 2 x 4.8 MHz to each licensee in the band. If there are more than two winners, only the two winners that win the largest number of blocks will be assigned one block that consists of 2 x 4.8 MHz as one of their winning blocks.

If placement cannot be decided by the above priorities, it will be decided by randomisation.

If any of the existing licensees have to abandon any of their existing blocks, they must do so within 1 April 2013. They can use both “old” and “new” blocks within this timeframe.

If any of the existing licensees do not win any blocks in the auction, they must phase out their use of the band within 1 December 2013.

5.2. Common rules to step 1 and step 2

The auctioneer (NPT) reserves the right to suspend or terminate the auction at any time if exceptional circumstances occur. Server failure is an example of an exceptional circumstance. Such a decision is at the absolute discretion of the auctioneer.

The auctioneer may, in case of exceptional circumstances

- declare a ‘time-out’, extend a round or suspend the auction until further notice, in which case the auction would be re-started from the point of suspension;
- declare the previous round as void, in which case no round results will be released and the round will be re-run from the same starting position;
- void the entire auction, in which case all bids submitted will become void.

5.3. Grant stage (end of the auction procedure)

After the auction has been concluded, winning bidders will receive a notification from NPT. The notified bidders shall pay the winning bid in full within ten - 10 - working days after NPT submitted the notification. After settlement, NPT will issue the frequency licences. The licences will be valid from 1 December 2012 until 31 December 2032.

Payment shall be made to:
Post- og teletilsynet
Postboks 93
N-4791 Lillesand
Norway

(DnB NOR) - acc.nr. 7694 05 01632

In case of international money transfers, the following additional information must be included:

IBAN: NO 57 7694 05 01632
SWIFT: DNBANOKK
Bank: DnB NOR

In case of non-payment or delayed or incomplete payments licences will not be assigned. In such cases, NPT has the right to submit requests for payment under the guarantee and to cover any unpaid portion of the bidder's bid by means of administrative enforcement.

If delayed payment is caused by events constituting Force Majeure under Norwegian law, NPT will prolong the deadline for payment accordingly.

When all the licences have been issued, NPT will inform bidders about the allocation of licences and release non-successful bids. NPT will publish the licence price and the names of bidders that have been awarded licences.

Once the licensing procedure has been completed, guarantees will be returned to those bidders to whom no licence was assigned. Guarantees will be returned to bidders to whom licences were assigned once bids have been paid in full.

Public disclosure of bids is subject to Norwegian Administrative Law.