

Simultaneous Multiple Round Ascending (SMRA) Auction of spectrum

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In news

Recently, The Union cabinet cleared auction of radio spectrum in various bands for commercial mobile services that will use the well-proven methodology of Simultaneous Multiple Round Ascending (SMRA) Auction

What is Simultaneous Multiple Round Ascending (SMRA) Auction?

The SMRA auction format lets bidders bid on multiple individual lots at the same time. It better caters for lots that are substitutes or complements.

In an SMRA auction of spectrum, lots typically correspond to the right to use a specific frequency block (or blocks) in a defined geographic area. A number of single lots are open for bidding at the same time.

It has both simultaneous and multiple rounds of auction:

Simultaneous

- All Offerings Open Simultaneously
- Remain Open Together
- All Offerings Close Together
- Benefits: It facilitates switching between offerings

Multiple Rounds

- Auction event is open over multiple rounds (Clock Stage).
- Benefit: Increases probability of optimum demand supply

match based on Market Dynamics

- Bidding allowed only over the public Internet

The SMRA auction process in India:

- All offerings remain open for bidding until bid is received even for one.
- Each bidder bids only once in one round. This is followed by a 'round result'.
- System generates the asking price. Bidders accept or do not accept this price.
 - If accepting the price, bidders mention quantity.
- Bidders do not need to inform before auction where they are interested
- Subject to submission of adequate EMD and fulfilling other constraints, bidder can bid wherever they want.
- All offerings remain open for bidding until bid is received even for one
 - Enable counterbid.
 - Allow switching to another offering if price becomes too high – Many offerings are near-substitutes
- System generates the asking price. Bidders accept or do not accept this price. (If accepting the price, bidders mention quantity.) Each bidder bids only once in one round
 - As the system displays the asking price for each round, a mechanism is required for generating this price.
 - Algorithms are decided beforehand. Next price depends on the algorithm and the demand-supply mismatch.
 - No increase if demand < supply
 - No signalling through bid value
 - No large bid to 'kill' the auction
 - Bidding proceeds in a controlled manner
- Each round is followed by a 'round result'.

- Bidders do not need to inform before auction where they are interested
 - Bidders can bid anywhere subject to constraints
 - EMD constraint is evaluated in real time
 - Since the database is encrypted, no one knows what any bidder is bidding.
 - Absolute confidentiality