

Economic regulation of Heathrow Airport Limited: H7 Initial Proposals – draft licence modifications

CAP 2275



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About this document

This consultation sets out draft modifications to Heathrow Airport Limited's ("HAL") licence¹ to show how we would implement the policy proposals in the October 2021 Initial Proposals for HAL's H7 price control review if we were to adopt them in the form set out in that document.² It includes:

- an introduction explaining the context for this consultation, including a brief summary of the scope of the October 2021 Initial Proposals, the timescales for making the modifications and how this relates to our proposals for a holding cap for 2022;³
- details of policy proposals where we are still considering whether these should be implemented through licence changes or policy statements;
- a mark up of each licence condition where we are proposing modifications, with reasons for those modifications, including references to the relevant chapter of our Initial Proposals document; and
- a clean version of Schedule 1 to the licence "Statement of Measures, Targets and Incentives".

Views invited

We welcome views on all the proposals included in this document. Please e-mail responses to economicregulation@caa.co.uk by no later than **Friday 7 January 2022**.

We cannot commit to take into account representations received after these dates.

We expect to publish the responses we receive on our website as soon as practicable after the period for representations expire. Any material that is regarded as confidential should be clearly marked as such and included in a separate annex. Please note that we have powers and duties with respect to information under section 59 of the Civil Aviation Act 2012 and the Freedom of Information Act 2000.

If you would like to discuss any aspect of this document, please contact Abigail Grenfell (abigail.grenfell@caa.co.uk).

¹ Licence granted to HAL on 13 February 2014 under section 15(5) CAA12 at www.caa.co.uk/HAL_license.

² CAP 2265 Economic regulation of Heathrow Airport Limited: H7 Initial Proposals October 2021 at www.caa.co.uk/Commercial-industry/Airports/Economic-regulation/H7/Consultations-and-policy-documents.

³ CAP 2265 included at Appendix C a notice under section 22 CAA12 proposing licence modifications to set a holding cap for 2022 at [CAP2265E Appendices](#). Reasons for the proposals are at [CAP2265D](#). This consultation closed on 17 November 2021.

Introduction

1. This consultation sets out draft modifications to HAL's licence⁴ to explain how we would implement our initial proposals for the review of HAL's H7 price control and associated regulatory framework, if we were to adopt them in the form set out in the October 2021 Initial Proposals. These modifications would come into force after the existing price control arrangements expire at the end of December 2021.
2. This document should be read together with:
 - a) the October 2021 Initial Proposals which sets out the policy proposals that underpin these draft licence modifications; and
 - b) our working paper (CAP2274) which provides further details of our proposed approach to implementing outcome based regulation (OBR).⁵
3. Setting price controls for HAL is one of the CAA's core functions under the Civil Aviation Act 2012 ("CAA12"). Our primary duty under CAA12 is to further the interests of users⁶ of air transport service regarding the range, availability, continuity, cost and quality of airport operation services ("AOS"). We are currently consulting stakeholders on our Initial Proposals for HAL's H7 price control. This is a crucial step in our H7 price control review programme and the views of respondents will be important in helping us shape Final Proposals (due in early 2022).

Key considerations and context

4. Key areas that are addressed in the October 2021 Initial Proposals include:
 - how we intend to deal with the high degree of uncertainty created by the impact of the covid-19 pandemic;
 - HAL's request for a further covid-19 related RAB adjustment;
 - our approach to incentivising efficient capital expenditure and service quality;

⁴ Licence granted to HAL on 13 February 2014 under section 15(5) of the Civil Aviation Act 2012 https://www.caa.co.uk/HAL_license.

⁵ CAP 2274: Economic regulation of Heathrow Airport Limited: H7 Initial Proposals Working paper on outcome based regulation: see www.caa.co.uk/CAP2274.

⁶ Under CAA12, our primary duty is owed to "users" of air transport services. These users are present and future passengers and cargo owners. As in previous consultations, we refer to these users as a whole using the term "consumers".

- the projections of costs, revenues, allowed returns and passenger numbers and how we have used these to identify a range of price controlled airport charges;
 - proposals for improving the governance arrangements for capital expenditure, service quality and charges for other services, to rectify weaknesses in the licence framework that have been identified during the Covid 19 downturn;
 - other amendments to the regulatory framework and price control adjustment terms to ensure that these are suitable for the H7 period.
5. Not all of these policy proposals will require extensive licence modifications. For example, the projections of costs, revenues, allowed returns and passenger numbers are only reflected in the opening price cap, with details of the policy decisions and assumptions that have led to that price cap set out in the notice making the modifications in our Final Decision, due in summer 2022. Other policy proposals, such as the move to outcome-based regulation (OBR) will require extensive changes to the licence.
6. There are some policy proposals where we have not at this stage confirmed whether the final decision would be implemented through the licence or other means such as through a policy statement. There are also some outstanding issues that need to be addressed for our Final Proposals. These are set out in more detail in paragraphs 9 to 14 below.
7. We do not expect these licence modifications to be finalised and to take effect until summer 2022. We are also separately consulting on a proposal to modify the licence to introduce a holding cap for 2022 (“the 2022 Consultation”)⁷. We expect to make a decision on that proposal in December 2021 and we will take account of any modifications made to the licence as a result of that decision when we next consult on the modifications for the H7 price control.

The draft licence modifications

8. We are proposing modifications to most parts of the licence and these are set out in Chapter 1 in tracked changes, signposted to the relevant chapter of the Initial Proposals consultation. Changes to the Statement of Standards, Rebates and Bonuses in the Schedule of the licence to reflect the move to outcome based regulation are explained in a table in Chapter 2, followed by the proposed Schedule. In summary we are proposing changes to:
- Condition A3 Definitions: changes to some definitions (with consequential changes throughout the licence);
 - Condition C1 Price Control: including:

⁷ CAP 2265 included at Appendix C a notice under section 22 CAA12 proposing licence modifications to set a holding cap for 2022 at [CAP2265E Appendices](#). Reasons for the proposals are at [CAP2265D](#). This consultation closed on 17 November 2021.

- a new opening price cap which takes into account our policy proposals relating to traffic forecasts, capex, opex and commercial revenues;
- updating relevant adjustment terms and definitions to reflect our policy proposals and uplift them for the H7 period;
- removing the expansion pass through term as this is not currently relevant;
- a new adjustment term to allow for uncertainty regarding the revenues that will be raised from the terminal drop-off charge;
- Condition C2 Charges for other services: including:
 - clarifying when and how the CAA can require changes to the cost allocation mechanism;
 - allowing changes to be made to the list of Specified Facilities if HAL, airlines and the CAA all agree these are necessary;
 - removing some Specified Facilities from that list;
 - generally clarifying the obligations in this condition;
- Condition D1 Service Quality: some changes to terminology to reflect our move to OBR and expanding the scope of the mechanism for making changes to the Statement of Standards, Rebates and Bonuses in Schedule 1 of the licence;
- Condition E2 Financial Resilience: changes to clarify the scope of the reporting requirements;
- other minor, consequential changes throughout the licence; and
- Schedule 1 Statement of Standards, Rebates and Bonuses: extensive changes to reflect our proposed changes to implement OBR.

Policy proposals that require further consideration before the Final Proposals.

9. In the October 2021 Initial Proposals we said that the RAB adjustments necessary to implement our proposals for traffic risk sharing and the capex incentive reconciliation process would be implemented in our Final Decision either through the licence or through other means such as policy statements.⁸
10. We are still assessing the best approach to implementing these proposals if we decide to include them in our Final Decision, and will continue to do so in the light of stakeholders' responses to the October 2021 Initial Proposals. If these adjustments are included in the licence, one way of implementing this might be to specify:
 - a list of information that HAL should record, and show in its regulatory accounts, to support these mechanisms; and

⁸ Paragraph 1.45 of [CAP2265B](#) and Paragraph 12.64 of [CAP2265D](#)

- the formula that HAL should apply to calculate the relevant adjustments to the RAB.
- 11. The October 2021 Initial Proposals also stated that it may be necessary to introduce a new licence condition that sets out our proposed mechanism for HAL to request additional capex that was not included in the H7 capex envelope in response to significant changes in external circumstances since the price control was set.⁹ We are still consulting on this proposal and will consider stakeholder views as we finalise our approach. If this is added to HAL's licence we expect that it will include a list of information that HAL should submit to the CAA to demonstrate that it has consulted on additional capex requirements and that they are driven by a change in circumstances from the time when the H7 determination was made.
- 12. Before the Final Proposals we will need to confirm the price index to be used in Condition C1 in the formula for HAL's maximum revenue yield per passenger. In previous periods we have used the Retail Price Index (RPI), but the Consumer Price Index (CPI) is now the more widely accepted standard for measuring price changes.¹⁰
- 13. There are also some outstanding issues that will need to be addressed before finalising the OBR framework for H7, some of which require further stakeholder engagement. These issues are set out in CAP2274. We have also referenced these issues in the proposed changes to Schedule 1 set out in Chapter 2 below.
- 14. As noted in the October 2021 Initial Proposals, before we issue our Final Proposals we will consider whether there might be an argument for delaying the introduction of some (or all) of the new OBR measures, for example until the beginning of 2023, to allow for an orderly transition to the new arrangements.

The timetable

- 15. We will work with HAL and stakeholders to develop and refine these proposed modifications in light of responses to this consultation. Our intention is to include a further draft in our Final Proposals, due in Spring 2022, in the form of the notice of proposed modifications required under section 22(2) CAA12.

Timetable for the remainder of the H7 review

Date	Milestone
17 November 2021	Responses to draft licence modification on 2022 charges
17 December 2021	Responses to these IPs and further building block update from HAL

⁹ Paragraph 12.68 of [CAP2265D](#).

¹⁰ This is separate from the question of which price index we should use to index the RAB and calculate the real WACC. We indicated in December 2017 our intention to retain the RPI for these purposes in H7

7 January 2022	Responses to this consultation
March/April 2022	CAA final proposals for the H7 price control and proposed licence modifications
May/June 2022	CAA final decision on the H7 price control and notice making the licence modifications
July/August 2022	Licence modifications take effect

Our duties

16. In developing this consultation, we have had full regard to our statutory duties under the CAA12, which are set out more fully in Appendix A.

Next steps on this consultation

17. We welcome views on how we propose to ensure that our policy decisions are taken forward through the licence.
18. Please e-mail responses to economicregulation@caa.co.uk by no later than **Friday 7 January 2022**

Structure of this document

19. The structure of this Initial Proposals consultation is as follows:
- **Chapter 1** sets out proposed drafting to reflect the policy proposals in our Initial Proposals Consultation and our working paper on OBR (CAP2274).
 - **Chapter 2** – draft licence modifications to Schedule 1
 - sets out the draft licence modifications likely to be needed in Schedule 1 to HAL’s licence to implement our proposed approach to outcome based regulation (OBR).
 - a more detailed explanatory table (Table 2.1) to help stakeholders understand how these changes have been reflected in the clean version of Schedule 1 attached to this consultation.
 - **Appendix A** summarises the CAA’s statutory duties.

Chapter 1 – Draft licence modifications

Introduction

- 1.1 This chapter sets out in Table 1.1 below the proposed drafting to reflect the policy proposals in our Initial Proposals Consultation and working paper on OBR (CAP2274).
- 1.2 In the 2022 Consultation, we have proposed deleting the whole of Condition C1 Price control and replacing it with a single cap, with no adjustment mechanisms. We are proposing to re-introduce many of these terms with some modifications and to introduce a new term to reflect our policy proposals for the new terminal drop-off charge. We have included a marked-up version against the current Condition C1 (rather than against the proposed 2022 Condition C1) to show the proposed changes to those terms.
- 1.3 The implementation of OBR will require a number of detailed changes to Schedule 1 to reflect new terminology and other substantive changes to implement our proposed policy. We have also proposed to restructure Schedule 1 to improve signposting and increase transparency. We are therefore attaching a clean version of Schedule 1, rather than a mark-up, for ease of reference, with an explanation of the changes we propose set out in Chapter 2. This should be read alongside CAP2274.

Table 1.1: Draft Licence modifications

Licence Condition and modification	Draft modification	Comments
Part A Condition A3 Definitions		
A3.1(f): Delete the definition of Regulatory Period and in C2.5, C4.1, E1.3, E1.5(a) & (b), E2.2, E3.5, Schedule 1: 2.1(e), (f) & (j), 2.28(a) & (b), 3.2, 3.4, 3.4(a) & (b), 3.5, 3.7, 3.11, 3.13, 3.15, 4.2, 4.4, 4.5, 5.2(b), 6.2, 6.3(c) delete all references to the term throughout the licence in text, tables and formulae.	~~(f) the Regulatory Period means the period of nine months between 1 April 2014 and 31 December 2014 and this period shall also be considered to be the Licensee's financial year for the purposes of this Licence; and~~	These modifications may be made in the proposed modification for the 2022 holding cap. If so, this description will be removed in our Final Proposals.
New A3.1(f): Include a new definition of H7	~~(f) H7 means the price control period set by the CAA in relation to the five Regulatory Years ending on 31 December 2026~~	For clarity within the licence
A3.1(g) Modify the definition of	~~(g) the Regulatory Year means, for each of the seven years from 2015 2021, the twelve-month period beginning on 1 January and ending on 31 December.~~	These modifications may be made in the

Regulatory Year and in C2.1, C2.2, C2.3, C3.7, C4.1, E1.3, E3.1, Schedule 1: 2.4, 3.4(a), 3.5, 3.11, 6.6 change references to “each” and/or “subsequent [number]” Regulatory Years to read “any” Regulatory Year	~~These years shall also be considered to be the Licensee’s financial year for the purposes of this Licence~~	proposed modification for the 2022 holding cap. If so, this description will be removed in our Final Proposals.
Part C: Condition C1 Price control		
C1.1 Modify the text, formula and definitions to reflect the starting year of the H7 price control and changes to adjustment terms.	C1.1 When the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in the Regulatory ~~Period~~ Year 2022s, it shall fix those charges at the levels best calculated to secure that; in ~~the that~~ Regulatory ~~Period-Year~~, the total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the maximum revenue yield per passenger, which shall be calculated as follows: $M_{\del{2014}2022} = \pounds\del{22.261}xx.xx \left(1 + B_{\frac{2012}{132020}} \right) + \frac{D_{\del{2014}2022}}{Q_{\del{2014}2022}} - \frac{T_{\del{2014}2022}}{Q_{\del{2014}2022}} + \frac{TDO_{2022}}{Q_{2022}} - K_{\del{2014}2022}$ where: ▪ $M_{\del{2014}2022}$ is the maximum revenue yield per passenger using the Airport in the Regulatory ~~Period~~ Year 2022 expressed in pounds sterling; ▪ $B_{\frac{2012}{132020}}$ is the bonus factor in the Regulatory ~~Period-Year~~ 2022 based on the Licensee's performance in 2012/13-Regulatory Year 2020, as defined in	If the actual numbers within the adjustment terms are known when we make the final decision on the H7 price control, we may simplify this Condition 1.1 to simply reflect the starting price cap.

	Condition C1.8; ▪ $D_{2014-2022}$ is the cumulative development capex adjustment in the Regulatory ~~Period~~ Year 2022, as defined in Condition C1.9; ▪ $T_{2014-2022}$ is the capital 'trigger' factor in the Regulatory ~~Period~~ Year 2022, as defined in Condition C1.7; ▪ $Q_{2014-2022}$ is passengers using the Airport in the Regulatory ~~Period~~ Year 2022; and ▪ $TD0_{2022}$ is the Terminal Drop-off charge factor in Regulatory Year 2022, as defined in Condition C1.12; ▪ $K_{2014-2022}$ is the per passenger correction factor ~~infor~~ the Regulatory ~~Period~~ Year 2022, as defined in Condition C1.5.	
C1.2: Modify the text, formula and definitions to reflect the relevant years of the H7 price control and changes to adjustment terms.	C1.2 On each occasion on which the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services ~~for in each of~~ the ~~five subsequent relevant~~ Regulatory Years "t" starting on 1 January 2020 2023 and each subsequent Regulatory Year until the Regulatory Year ending on 31 December 2021-2026, the Licensee shall fix those charges at the levels best calculated to secure that, in each ~~of those relevant~~ Regulatory Years, total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the amount set in accordance with the formula below: $M_t = (1 + [\text{CPI or RPI}]_{t-1} + X + B_{t-2})Y_{t-1} + \frac{D_t}{Q_t} - \frac{T_t}{Q_t} + \frac{A_t}{Q_t} + \frac{BR_t}{Q_t} + \frac{TD0_t}{Q_t} - K_t$ where: ▪ M_t is the maximum revenue yield per passenger using the Airport in Regulatory Year t expressed in pounds ~~sterling, where~~;	

	▪ $[CPI \text{ or } RPI]_{t-1}$ is the percentage change (positive or negative) in the ~~Office for National Statistics (ONS)~~ [details of price index] ~~CHAW Retail Price Index~~ between April in ~~year~~ Regulatory Year $t - 1$ and April in Regulatory Year $t - 2$ ~~the immediately preceding April~~; ▪ $X = -1.5-xx\%$; ▪ B_{t-2} is the bonus factor in Regulatory Year t, based on the Licensee's performance in ~~Regulatory Year~~ $t - 2$, as defined in Condition C1.8; ▪ Y_{t-1} is the ~~average~~ revenue yield per passenger in ~~Regulatory Period or~~ Regulatory Year $t - 1$, ~~as defined~~ in Condition C1.3; ▪ D_t is the cumulative development capex adjustment in Regulatory Year t, ~~as~~ defined in Condition C1.9; ▪ T_t is the capital 'trigger' factor in Regulatory Year t, ~~as~~ defined in Condition C1.7; ▪ Q_t is ~~the number of~~ passengers using the Airport in Regulatory Year t; ▪ ~~A_t is the cost pass through for runway expansion in Regulatory Year t defined in Condition C1.12;~~ ▪ BR_t is the business rate revaluation factor in Regulatory Year t, as defined in Condition C1.11; ~~and~~ ▪ TDO_t is the Terminal Drop-off charge factor in Regulatory Year t, as defined in Condition C1.12; and ▪ K_t is the per passenger correction factor in Regulatory Year t, ~~as~~ defined in Condition C1.5.	
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C1.3 Modify the text and definitions to reflect the H7 period, to note that we have yet to confirm if we will use CPI or RPI, and include allowable health and safety costs in the definition of S_{t-1}.	Y_{t-1}: average revenue yield per passenger C1.3 Y_{t-1} is the average revenue yield per passenger in ~~Regulatory Period or~~ Regulatory Year $t - 1$ calculated in accordance with the following formula: $Y_{t-1} = Y_{t-2}(1 + [\text{CPI or RPI}]_{t-2} + X) + S_{t-1}$ where: ▪ $Y_{\text{20142022}} = \text{£}22.261\text{xx.xx} + S_{\text{20142022}}$ ▪ $[\text{CPI or RPI}]_{t-2}$ is the percentage change (positive or negative) in the ONS [details of price index] ~~Retail Price Index~~ between ~~that published with respect to~~ April in ~~Regulatory Period or~~ Regulatory Year $t - 2$ and April in Regulatory Year $t - 3$ ~~that published with respect to the immediately preceding April;~~ ▪ $X = -1.5 +/ - [x]\%$ ▪ S_{t-1} is the allowable security ~~and/or health and safety~~ cost per passenger in Regulatory Year $t - 1$, as defined in Condition C1.4.	
C1.4 Modifications to include allowable health and safety costs in the term and to reflect that the deadband will need to be changed	S_{t-1}: allowable security ~~and/or health and safety~~ cost per passenger C1.4 S_{t-1} is the allowable security ~~and/or health and safety~~ cost per passenger in ~~Regulatory Period or~~ Regulatory Year $t - 1$ arising as a result of changes to security ~~and/or health and safety~~ standards. Additional costs from such changes ~~shall be in security standards are considered as~~ positive values:- ~~Reductions in cost from changes in security standards are considered from such changes shall be as~~ negative values. This mechanism ~~only~~ applies ~~only~~ when the expected cumulative cost ("EC") associated with changes to security ~~and/or health and safety~~ standards are: (a) above a cumulative ~~£21,000,000 xx~~ "deadband" figure; or	Discussion on including allowable health and safety costs in the S-factor is in Chapter 1 of CAP2265B

(b) below a cumulative - £~~21,000,000~~ xx "deadband" figure

S_{t-1} is calculated in accordance with the following formulae expressed in pounds sterling:

For each relevant ~~Regulatory Period or~~ Regulatory Year $t - 1$, ~~in the case that EC is a positive value, with reference to the absolute value of EC:~~

If EC is a positive number, then:		If EC is a negative number, then:	
if:	$ EC_{t-1} > \text{£}21,000,000 \text{ xx}$	if:	$ EC_{t-1} > \text{£}21,000,000 \text{ xx}$
and	$ EC_{t-2} > \text{£}21,000,000 \text{ xx}$	and	$ EC_{t-2} > \text{£}21,000,000 \text{ xx}$
then:	$S_{t-1} = 0.9 C_{t-1}$	then:	$S_{t-1} = 0.9 C_{t-1}$
OR:		OR:	
if:	$ EC_{t-1} > \text{£}21,000,000 \text{ xx}$	if:	$ EC_{t-1} > \text{£}21,000,000 \text{ xx}$
and	$ EC_{t-2} < \text{£}21,000,000 \text{ xx}$	and	$ EC_{t-2} < \text{£}21,000,000 \text{ xx}$
then:	$S_{t-1} = 0.9 \frac{(EC_{t-1} + \text{£}21,000,000 \text{ xx})}{\text{TimeFactor} \times (t^{*-}) Q_{t-1}}$	then:	$S_{t-1} = 0.9 \frac{(EC_{t-1} + \text{£}21,000,000 \text{ xx})}{\text{TimeFactor} \times (t^{*-}) Q_{t-1}}$
OR:		OR:	
if:	$ EC_{t-1} < \text{£}21,000,000 \text{ xx}$	if:	$ EC_{t-1} < \text{£}21,000,000 \text{ xx}$
and	$ EC_{t-2} > \text{£}21,000,000 \text{ xx}$	and	$ EC_{t-2} > \text{£}21,000,000 \text{ xx}$
then:	$S_{t-1} =$	then	$S_{t-1} =$

		$-0.9 \frac{(EC_{t-2} - £21,000,000 \text{ xx})}{\text{TimeFactor} \times (t^*) Q_{t-1}}$	$-0.9 \frac{(EC_{t-2} + £21,000,000 \text{ xx})}{\text{TimeFactor} \times (t^*) Q_{t-1}}$	
		Otherwise: $S_{t-1} = 0$	Otherwise: $S_{t-1} = 0$	
	~~If: $EC_{t-1} > £21,000,000$; and~~ ~~$EC_{t-2} > £21,000,000$~~ ~~Then: $S_{t-1} = 0.9 C_{t-1}$~~ ~~Or if: $EC_{t-1} > £21,000,000$; and~~ ~~$EC_{t-2} < £21,000,000$~~ ~~Then: $S_{t-1} = 0.9 \frac{(EC_{t-1} - £21,000,000)}{(t^*) Q_{t-1}}$~~ ~~Or if: $EC_{t-1} < £21,000,000$; and~~ ~~$EC_{t-2} > £21,000,000$~~ ~~Then: $S_{t-1} = -0.9 \frac{(EC_{t-2} - £21,000,000)}{(t^*) Q_{t-1}}$~~ ~~Otherwise: $S_{t-1} = 0$~~ ~~For each relevant Regulatory Period or Regulatory Year $t-1$, if EC is a negative number, with reference to the absolute value of EC:~~ ~~If: $EC_{t-1} > £21,000,000$; and~~ ~~$EC_{t-2} > £21,000,000$~~ ~~Then: $S_{t-1} = 0.9 C_{t-1}$~~ ~~Or if: $EC_{t-1} > £21,000,000$; and~~ ~~$EC_{t-2} < £21,000,000$~~			

~~Then: $S_{t-1} = 0.9 \frac{(EC_{t-1} + £21,000,000)}{(t^*)Q_{t-1}}$~~

~~Or if: $|EC_{t-1}| < £21,000,000$; and~~

~~$|EC_{t-2}| > £21,000,000$~~

~~Then $S_{t-1} = 0.9 \frac{(EC_{t-2} + £21,000,000)}{(t^*)Q_{t-1}}$~~

~~Otherwise: $S_{t-1} = 0$~~
~~where:~~

- ~~▪ Q_{t-1} is the number of passengers using the Airport in Regulatory Period or Regulatory Year $t - 1$; and~~
- ~~▪ TimeFactor t^* is a time variable, which is defined for each Regulatory Period or Regulatory Year in Table C.1 below:~~

Table C.1: Time Factor variable

Regulatory Year t	2022	2023	2024	2025	2026
TimeFactor t^*	5	4	3	2	1

Regulatory Year Period $t =$	TimeFactor $t^* =$
9mo. 2014	93/9
2015-2022	5-7
2016-2023	4-6
2017-2024	3-5
2018-2025	2-4

2019-2026	1-3
2020	2

Where

- C_{t-1} is the total allowable security ~~and/or health and safety~~ claim per passenger using the Airport in ~~Regulatory Period or~~ Regulatory Year $t - 1$ (whether of a positive or negative value) expressed in pounds sterling, ~~when compared relative to security costs per passenger in Regulatory Year $t - 2$ the previous period;~~
- EC_t is the expected cumulative security ~~and/or health and safety~~ claim ~~over the relevant Regulatory Period and seven five Regulatory Years starting on 1 April 2014,~~ in Regulatory Year t , ~~period~~ which shall be calculated in accordance with Table C.2 below:

Table C.2: Calculation of annualised allowable security ~~and/or health and safety~~ costs (EC_t)

[Changes to Table C2 are set out on page 51 below]

where:

- C_t is the total allowable security ~~and/or health and safety~~ claim per passenger using the Airport in ~~Regulatory Period or~~ Regulatory Year t (whether of a positive or negative value) expressed in pounds sterling, ~~compared relative to security costs per passenger in Regulatory Year $t - 1$ the previous period;~~ and
- Q_t ~~bears the same meaning as in Condition C1.2. is the actual number of passengers using the Airport in Regulatory Period or Regulatory Year t~~

C1.5 modifications to update the term to remove redundant terms and reflect requirements in the H7 price control.

K_t : per passenger correction factor

C1.5 K_t is the per passenger correction factor (whether positive or negative value) to be made in ~~Regulatory Period or~~ Regulatory Year t , which is calculated as follows:

~~Where: $t = 2015$ or 2016~~

$$K_t = \frac{R_{t-2} - (Q_{t-2} M_{t-2})}{Q_t} \left(1 + \frac{I_{t-2}}{100} \right)^{\frac{21}{12}}$$

~~Where: $t \neq 2015$ or 2016~~

$$K_t = \frac{R_{t-2} - (Q_{t-2} M_{t-2})}{Q_t} \left(1 + \frac{I_{t-2}}{100} \right)^2$$

where:

- R_{t-2} is total revenue from airport charges in respect of relevant air transport services levied at the Airport in ~~Regulatory Period or~~ Regulatory Year $t - 2$ expressed in pounds ~~sterling~~;
- Q_t ~~bears the same meaning as in Condition C1.2. is passengers using the Airport in Regulatory Period or Regulatory Year t ;~~
- M_{t-2} is the maximum revenue yield per passenger using the Airport in ~~Regulatory Period or~~ Regulatory Year $t - 2$ ~~expressed in pounds sterling~~;
- I_{t-2} is the appropriate interest rate for ~~Regulatory Period or~~ Regulatory Year $t - 2$, which is equal to:
 - (i) the specified rate plus 3% where K_t is positive; or
 - (ii) the specified rate where K_t is negative.

	In both cases K_t takes no account of I_t for this purpose. C1.6 In relation to the ~~Regulatory Period and~~ the Regulatory Years 2015 2022 and 2023, the values of R_{t-2}, Q_{t-2}, M_{t-2} and I_{t-2} shall be calculated ~~by reference to the conditions as to airport charges imposed in relation to~~ in accordance with the price control conditions applicable to the Licensee in this licence as they were in each of the Regulatory Years 2020 and 2021. ~~Airport under the Airports Act 1986 in force at 31 March 2014. In the case of the Regulatory Period, t-2 refers to the 12-month period from 1 April 2012 to 31 March 2013.~~	
C1.6 Modifications to clarify the requirements of the term and introduce a symmetrical arrangement for projects that are completed early.	T_t: trigger factor C1.7 T_t is the trigger factor, which is a ~~reduction change~~ in the maximum revenue yield per passenger occurring when the Licensee ~~has not achieved~~ achieves specific capital investment milestones associated with relevant projects ~~earlier or later than the milestone month in the Capital Investment Triggers Handbook.~~ The factor shall be calculated as follows: $T_t = \sum_i TM_{it} TF_{it}$ where: - For any specific trigger i, in ~~Regulatory Period or~~ Regulatory Year t: TF_{it} is the number of months between the milestone month and ~~the earlier of either:~~ (i) ~~for projects completed later than the milestone month, the earlier of the project completion date or the end of Regulatory Period or~~ Regulatory Year t ~~up to a maximum of 12. In 2014 TF_{it} is restricted to a maximum of 9.;-or~~	Changes to the capital incentive framework are discussed in Chapter 12 in CAP2265D

	(ii) for projects completed earlier than the milestone month, the later of the project completion date or the start of Regulatory Year t, and in either case TF_{it} shall bear a maximum value of 12. TM_{it} is the trigger payment associated with each trigger in ~~Regulatory Period~~ or Regulatory Year t; where: $TM_{it} = MTP_i \frac{P_{t-1}}{222.80-[XX]}$ MTP_i is the monthly trigger payment which is defined for each relevant project; and P_{t-1} is the value of the ONS [details of price index] ~~CHAW Retail Price Index~~ in April in ~~Regulatory Period~~ or Regulatory Year $t - 1$; - The triggers, milestone month and monthly trigger payments shall bear the same meaning as ~~set out in~~ defined in the Q6 Capital Investment Triggers Handbook and may be modified in accordance with the modification processes set out in that handbook; and [XX] is the average monthly ONS [details of price index] for January 2020 to December 2020.	
C1.8 Modifications to reflect the change to outcome based regulation	B_{t-2}: bonus factor C1.8 B_{t-2} is the bonus factor based on performance achieved in respect of ~~bonus specified measures bmk~~ of the Licensee's service quality ~~measures, targets and incentives~~ scheme (MTI) ~~service quality rebates and bonuses scheme (SQRB)~~ as defined in Condition D1. The bonus factor shall be calculated in accordance with Schedule 1 of this Licence.	These changes reflect the move to outcome based regulation discussed in Chapter 14 of CAP2265D and CAP2274.

C1.9 and C1.10 Modifications to clarify the adjustment mechanism and reflect that a new WACC will be set for the H7 price control.	<i>D_t: cumulative development capex adjustment</i> C1.9 <i>D_t</i> is the cumulative development capex adjustment, which adjusts the maximum revenue yield per passenger in ~~Regulatory Period or~~ Regulatory Year <i>t</i> to account for cumulative changes in the revenue requirement associated with development capex projects. <i>D_t</i> shall be calculated in accordance with Table C.3 below. Table C.3: Cumulative development capex adjustment ~~[Table C.3 is set out on page 52 below]~~ where: - WACC is the Weighted Average Cost of Capital which shall have a value of ~~5.35xx~~%; <i>d_t</i> is the annual development capex adjustment in ~~Regulatory Period or~~ Regulatory Year <i>t</i>, as defined in Condition C1.10; and <i>P_{t-1}</i> is the value of the ONS ~~[details of price index] CHAW Retail Price Index~~ in April in ~~Regulatory Period or~~ Regulatory Year <i>t</i> – 1. <i>d_t: annual development capex adjustment</i> C1.10 The annual development capex adjustment in ~~Regulatory Period or~~ Regulatory Year <i>t</i> is an amount equal to the net difference between the development capex allowance included in the ~~Q6~~ H7 settlement and the total capex associated with new core capex projects in ~~Regulatory Period or~~ Regulatory Year <i>t</i>, and is to be calculated as follows: $d_t = O_t - \left(V_t * \frac{P_{t-1}}{222.80[XX]} \right)$	These changes do not change how the adjustment mechanism works but provides greater clarity to the definitions used. The WACC is discussed in Chapter 9 in CAP2265C
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	where: ▪ O_t is the total capex in ~~Regulatory Period or~~ Regulatory Year t associated with: (iii) all development capex projects that have transitioned ~~through Gateway 3~~ to core capex project status after the ~~Q6 H7~~ settlement either during or before ~~Regulatory Period or~~ Regulatory Year t; ~~in accordance with the governance arrangements; and which~~ (iv) ~~includes~~ the ~~actual~~ capital spending incurred during the development stages of projects ~~prior to transitioning through Gateway 3, irrespective of whether including for projects that have not transitioned past Gateway 3 from development to core as determined through~~ in accordance with the governance arrangements; ▪ V_t is the development capex allowance in ~~Regulatory Period or~~ Regulatory Year t; ~~and~~ ▪ P_{t-1} is the value of the ONS ~~[details of price index] CHAW Retail Price Index~~ in April in ~~Regulatory Period or~~ Regulatory Year $t - 1$; ▪ ~~[XX]~~ is the average monthly ONS ~~[details of price index]~~ for January 2020 to December 2020.					
C1.11 Modifications to clarify the adjustment mechanism and update it to reflect the H7 price control.	BR_t: business rate revaluation factor C1.11 BR_t is the business rate revaluation factor in ~~Regulatory Period or~~ Regulatory Year t, calculated in accordance with the following formulae. <table><tr><th>Condition</th><th>Value of BR_t</th></tr><tr><td>If: $t = 20xx$;</td><td>Then: $BR_t = 0.8[(Z_{20xx}) * (1 + [CPI \text{ or } RPI]_{t-1}) +$</td></tr></table>	Condition	Value of BR_t	If: $t = 20xx$;	Then: $BR_t = 0.8[(Z_{20xx}) * (1 + [CPI \text{ or } RPI]_{t-1}) +$	The relevant dates in this Condition will need to be revised to reflect the date of the next revaluation. Discussion of the business rates is in
Condition	Value of BR_t					
If: $t = 20xx$;	Then: $BR_t = 0.8[(Z_{20xx}) * (1 + [CPI \text{ or } RPI]_{t-1}) +$					

		$Z_{20xx})]$	Chapter 4 of CAP2265B and Chapter 13 of CAP2265D
If:	$t = 20xx;$	Then: $BR_t = 0.8 * Z_{20xx}$	
If:	$t = 20xx;$	Then: $BR_t = 0.8 * Z_{20xx}$	
If:	$t = 20xx;$	Then: $BR_t = 0.8 * Z_{20xx}$	
Otherwise:		$BR_t = 0$	

~~If: $t = 2018;$~~
~~Then: $BR_t = 0.8[(Z_{2017}) * (1 + RPI_{t-1}) + Z_{2018}]$~~
~~If: $t = 2019;$~~
~~Then: $BR_t = 0.8 * Z_{2019}$~~
~~If: $t = 2020;$~~
~~Then: $BR_t = 0.8 * Z_{2020}$~~
~~If: $t = 2021;$~~
~~Then: $BR_t = 0.8 * Z_{2021}$~~
~~Otherwise: $BR_t = 0$~~

where:

- $[CPI \text{ or } RPI]_{t-1}$ is the percentage change (positive or negative) in the ONS [details of price index] ~~CHAW Retail Price Index~~ between April in ~~Regulatory Period or~~ Regulatory Year $t - 1$ and April in Regulatory Year $t - 2$ the immediately preceding April.
- Z_t is the business rate forecast variance in ~~Regulatory Period or~~ Regulatory Year t , calculated in accordance with Table C.4 below:

Table C.4: Business rate forecast variance

Period Regulatory Year t =	$Z_t =$
20 ~~15~~ xx	0
20 ~~16~~ xx	0
20 ~~17~~ xx	$(U_t - \pounds 136,900,000\text{-xx}) * \frac{P_{t-1}}{[XX]222.80}$
20 ~~18~~ xx	$(U_t - \pounds 136,900,000\text{-xx}) * \frac{P_{t-1}}{[XX]222.80}$
20 ~~19~~ xx	$(U_t - \pounds 136,900,000\text{-xx}) * \frac{P_{t-1}}{[XX]222.80}$
2020	$(U_t - \pounds 136,900,000) * \frac{P_{t-1}}{[XX]222.80}$
2021	$(U_t - \pounds 136,900,000) * \frac{P_{t-1}}{[XX]222.80}$

Where:

- U_t is the regulatory allowance for business rates (that is ~~£136,900,000 xx~~ in 202x17, ~~£136,800,000 xx~~ in 202x18 to 20216) multiplied by the revaluation impact.
- P_{t-1} is the value of the ONS [details of price index] ~~CHAW Retail Price Index~~ in April in ~~Regulatory Period or~~ Regulatory Year t – 1.
- [XX] is the average monthly ONS [details of price index] for January 2020 to December 2020

C1.12 Modification to remove this term which is unlikely to be used in the H7 price control period in this form.	~~<i>A_t: pass-through of Category B costs (planning costs) for runway expansion</i>~~ ~~<i>C1.12 A_t is the cost pass-through adjustment of up to £10 million in each Regulatory Year to allow for the recovery of the reasonable costs (capital, operating and financing) of applying for planning permission for a third runway and associated infrastructure (Category B costs) since the Government announcement of its decision on 25 October 2016 to support the development of a third runway at the Airport. These Category B costs must, in the CAA’s view, have been efficiently incurred. This adjustment shall have regard to any policy guidance that may be issued by the CAA, following consultation, in relation to the recovery of these Category B costs.</i>~~ ~~<i>If: _____ t = 2016, 2017, 2018, 2019, 2020 or 2021</i>~~ ~~<i>Then: _____ A_t = eligible and efficient Category B costs up to £10,000,000</i>~~ ~~<i>Otherwise: _____ A_t = 0</i>~~	These modifications may be made in the proposed modification for the 2022 holding cap. If so, this description will be removed in our Final Proposals.				
New C1.12 and C1.13 to introduce an adjustment mechanism to allow for risks relating to the new terminal drop off charge.	~~<i>TD0_t: Terminal Drop-off charge</i>~~ ~~<i>C1.12 TD0_t is the Terminal Drop-off charge factor that:</i>~~ ~~<i>(a) implements risk sharing; and</i>~~ ~~<i>(b) provides protection to the Licensee from the risk that a change to legislation prevents it from recovering revenue from Terminal Drop-off charges in Regulatory Year t.</i>~~ ~~<i>C1.13 TD0_t equals to:</i>~~ <table><tr><td>~~<i>If w_t = 0</i>~~</td><td>~~<i>If w_t = 1</i>~~</td></tr><tr><td>~~<i>−0.65 × [OTDO_t − FTDO_t]</i>~~</td><td>~~<i>−1.00 × [OTDO_t − FTDO_t]</i>~~</td></tr></table> ~~<i>where:</i>~~ ~~<i>▪ OTDO_t is the outturn revenue collected by the Licensee from Terminal Drop-off</i>~~	~~<i>If w_t = 0</i>~~	~~<i>If w_t = 1</i>~~	~~<i>−0.65 × [OTDO_t − FTDO_t]</i>~~	~~<i>−1.00 × [OTDO_t − FTDO_t]</i>~~	Discussion of the Terminal Drop Off charge is in Chapter 5 of CAP2265B
~~<i>If w_t = 0</i>~~	~~<i>If w_t = 1</i>~~					
~~<i>−0.65 × [OTDO_t − FTDO_t]</i>~~	~~<i>−1.00 × [OTDO_t − FTDO_t]</i>~~					

	charges in Regulatory Year t; ▪ $FTDO_t$ is the forecast of the revenue that the Licensee will collect from Terminal Drop-off charges in Regulatory Year t and is set out in the CAA's final decision setting the price control applicable to the Licensee for H7; ▪ $w_t = 1$ if a change to legislation comes into force in Regulatory Year t that prevents the Licensee from recovering the full amount of $FTDO_t$, and $= 0$ otherwise.	
C1.14 and C1.15 Modifications to the commercial arrangements provisions to remove references to a specific agreement.	~~Commercial arrangements for the 2020 and 2021 price control extension~~ ~~C1.13 Nothing in this Part C shall prevent the Licensee from entering into any Commercial Agreement.~~ C1.14 Nothing in this Part C shall prevent the Licensee from entering into any Commercial Agreement. Where the Licensee enters into any Commercial Agreement, the Licensee shall: (a) provide for, and comply with, alternative arrangements to ensure that, ~~in relation to the definition and payment of Fixed Rebates, the Licensee~~ it does not unduly discriminate between airlines that are party to any such Commercial Agreement and airlines that are not party to a Commercial Agreement and shall make such arrangements available to all airlines using the Airport; (b) ~~save to the extent that any Commercial Agreements entered into prior to 1 January 2020 have been varied by agreement between the Licensee and airlines, and such variations have been provided for in the alternative arrangements required by Condition C1.14(a), pay any Fixed Rebate in accordance with the terms of the Commercial Agreements and such alternative arrangements of up to a total of £130 million in respect of each~~	This change retains the non-discrimination protections for any airline that chooses not to enter into potential commercial arrangements with HAL.

	~~of 2020 and 2021.~~ C1.15 The Licensee's ability to enter into agreements or other arrangements in relation to any aspect of Airport Charges ~~described in Condition C1.13~~ and the obligations of the Licensee set out in Condition C1.14 are without prejudice to Licensee's obligations under Conditions C1.1 and C1.2, and the Airport Charges Regulations 2011 (2011 No. 2491).	
C1.16 Modifications to update and clarify definitions, remove redundant definitions and add new definitions as relevant.	Definitions C.1.15 In this Condition C.1: (a) allowable security and/or health and safety claim per passenger means the annual equivalent of the increase or decrease in security ~~and/or health and safety costs~~ at the Airport in the relevant ~~Regulatory Period or~~ Regulatory Year which arise as a result of a change in required security ~~and/or health and safety~~ standards at the Airport, ~~where as certified by the CAA agrees in writing that the relevant standard has been changed~~, divided by the number of passengers using the Airport in that ~~Regulatory Period or~~ Regulatory Year; (b) average revenue yield per passenger means the revenue from airport charges levied in respect of relevant air transport services in the relevant ~~Regulatory Period or~~ Regulatory Year, before any deduction of rebates under the ~~Measures, Targets and Incentives Service Quality Rebates and Bonuses Scheme in Schedule 1 of this Licence~~, divided by the total number of passengers using the Airport in the relevant ~~Regulatory Period or~~ Regulatory Year; (c) business rate cost is the tax paid by the Licensee associated with the Airport's land and property assets, as determined by the Valuation Office Agency;	Changes required to give effect to the modifications set out above. This list will be renumbered as required.

	(d) ~~the Q6 Capital Investment Triggers Handbook~~ means the handbook published by the Licensee in accordance with Condition F1.1(a) ~~means the handbook in existence when this Licence comes into force, having been agreed by the Licensee and the airlines. This handbook which~~ contains details of the triggers, milestone months and monthly trigger payments for core capex projects and details of how future changes to those elements can be made with the agreement of the Licensee and the airlines. (e) Commercial Agreement means any agreements or other arrangements (as varied from time to time) entered into between the Licensee and airlines in relation to any aspect of the Airport Charges that the Licensee levies in respect of relevant air transport services ~~for any relevant Regulatory Year for 2020 and 2021~~, including (but not limited to) the payment of rebates to airlines in respect of those charges; (f) core capex project is any project that has passed Gateway 3, being taken forward for implementation in accordance with the governance arrangements; (g) development capex allowance is a capex allowance included in the ~~Q6 H7 Regulatory Asset Base~~ based on the sum of development capex project P80 cost estimates as set out in the governance arrangements; (h) development capex project is any project under development that has not passed Gateway 3 in accordance with the governance arrangements, but for which an allowance has been included in the development capex allowance; (i) ~~Fixed Rebate shall bear the same meaning it has in any Commercial Agreement entered into by the Licensee;~~	
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	(j) Gateway 3 has the meaning set out in the governance arrangements; (k) the governance arrangements means the arrangements set out in the ~~Q6~~ Capital Efficiency Handbook ~~which shall be~~ published by the Licensee ~~by~~ in 1 October 2014, ~~and~~ updated in April 2015 and ~~further updated as required in accordance with Condition F1.1(a);~~ (l) ONS means the Office of National Statistics (m) passenger using the Airport means a ~~terminal~~ passenger joining or leaving an aircraft at the Airport, ~~including passengers who change from one aircraft to another. A passenger who changes from one aircraft to another carrying the same flight number is treated as a terminal passenger, as is an interlining passenger;~~ (n) project completion date is the date when, ~~in accordance with the governance arrangements, in the judgment of the CAA~~ the Licensee has achieved the trigger criteria as defined for each project ~~in the Capital Investment Triggers Handbook through the governance arrangements;~~ (o) relevant air transport services means air transport services carrying passengers that join or leave an aircraft at the Airport, including air transport services operated for the purpose of business or general aviation; (p) revaluation impact is equal to one plus the difference between the actual increase in rateable value measured as a percentage change and +9%, (being the percentage increase assumed in the regulatory allowance) occurring as a result of the rate revaluation undertaken by the Valuation Office Agency in ~~20xx-17~~. The actual change will be calculated by multiplying the actual percentage increase in the Cumulo Rateable Value due to the revaluation and the actual percentage increase in the national	
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	Uniform Business Rate. (q) ~~specified rate (from 2014 to 2017) means the average of the Treasury Bill Discount Rate (expressed as an annual percentage interest rate) published weekly by the Bank of England, during the 12 months from the beginning of May in Regulatory Period or Regulatory Year t-2 to the end of April in Regulatory Period or Regulatory Year t-1.~~ (r) ~~specified rate (from 2018 to 2021)~~ means the average of the three month Treasury Bill Discount Rate (expressed as an annual percentage interest rate) published by the UK Debt Management Office (https://www.dmo.gov.uk/data/treasury-bills/tender-results/), during the 12 months from the beginning of May in Regulatory Year t – 2 to the end of April in Regulatory Year t – 1. (s) Terminal Drop-off charge is a charge levied by the Licensee for allowing vehicle access to the forecourt of a passenger terminal for a limited time.	
Part C Condition C2 Charges for other services		
C2.1 and new C2.2 and C2.3 Modifications to clarify the process for CAA intervention.	C2.1 By ~~30 September 2014 and by~~ 30 September in each ~~subsequent year~~ Regulatory Year, the Licensee shall ~~publish inform the CAA of the system methodology it uses used by it~~ to allocate the costs it incurs in the provision of the Specified Facilities (“the cost allocation methodology”). ~~The Licensee shall make any amendments to its cost allocation system if so requested by CAA by 31 December prior to each charging year commencing on 1 January.~~ C2.2 The CAA may, by notice published no later than 15 November in any Regulatory Year and following a reasonable period of consultation, require the Licensee to amend the cost allocation system referred to in Condition C2.1 in the manner, or to achieve the outcomes specified in the notice.	The current requirement to make changes is ambiguous. The modification will provide more clarity on the process for requiring these changes. Changes to Condition 2 are discussed in Chapter 13 of CAP2265D

	C2.3 Where the CAA has required the Licensee to amend the cost allocation system under Condition C2.2, the Licensee must make the changes specified in the notice before the start of the next Regulatory Year.	
C2.2 (renumbered) Modifications to provide clarity and better reflect the current processes	C2.24 By ~~30 September 2014 and by~~ 30 September in each ~~subsequent year~~ Regulatory Year, the Licensee shall provide to the CAA and users of the Specified Facilities statements of the actual costs it has incurred and the revenues it has generated in respect of each of the Specified Facilities for the preceding Regulatory Year in a form, and to a sufficient degree of detail to enable the CAA and users of the Specified Facilities to verify that the charges that the Licensee proposes to apply to the Specified Activity are derived in accordance with the proper application of the cost allocation methodology. C2.35 By 31 December in each ~~year~~ Regulatory Year, the Licensee shall provide to the CAA and to users of the Specified Facilities, ~~or their representatives~~ prior to implementing any ~~price~~ changes to the charges for the Specified Facilities, a statement ("the pricing principles"): (a) ~~of~~ confirming the principles it shall use for calculating the charges it levies for each Specified Facility, as set out in the governance arrangements agreed by the Licensee and relevant users of the Specified Facility under Condition F1.1(a); and (b) ~~setting out including~~ the assumptions and relevant cost information in a form, and to a sufficient degree of detail to enable the CAA and users of the Specified Facilities ~~adequate~~ to verify that the charges ~~derive from that the~~ Licensee proposes to apply to the Specified Facility are derived in accordance with the proper application of the pricing principles.	Changes proposed to add clarity to the obligations, to better reflect current processes and to provide clearer requirements on information provision.
C2.4 (renumbered) Modifications to	C2.46 Where charges for the Specified Facilities are not established in relation to the cost ~~allocation methodology or the pricing principles~~ , the Licensee shall provide	Changes proposed to clarify this requirement.

provide clarity and better reflect the current processes	to the CAA and to users of the Specified Facilities ~~or their representatives~~ a statement of (a) ~~the reasons for using an alternative methodology and/or approach to charging; and~~ (b) ~~the methodology and principles that the Licensee has used to set those on the basis of which the charges have been set~~ ~~in a form, and to a sufficient degree of detail to enable the CAA and users with full background information as to understand~~ the calculation of such charges, including details of comparable charges for similar services provided by the Licensee or other providers. ~~statements of any comparables used.~~	
C2.5 and C2.6 (renumbered) Modifications to provide clarity and better reflect the current processes	~~C2.57~~ Where, in respect of any relevant ~~Regulatory Period or~~ Regulatory Year ~~(apart from the 2019, 2020 and 2021 Regulatory Years)~~ ~~actual~~ the revenue ~~that the Licensee generates from for~~ any of the Specified Facilities differs from ~~that the~~ forecast ~~set by the CAA~~ for the purposes of the price control review for the period ~~1 April 2014~~ 1 January 2022 to 31 December 2018-2026 ~~(as specified by the CAA)~~, the Licensee shall provide to the CAA and to users of the Specified Facilities ~~or their representatives~~ detailed reasons for those differences. ~~C2.68~~ Where, in respect of ~~the 2019, 2020 and 2021~~ any Regulatory Years, ~~the actual~~ revenue ~~that the Licensee generates~~ from any of the Specified Facilities differs from ~~the actual~~ revenue ~~that the Licensee generated from that Specified Facility~~ in the preceding Regulatory Year, the Licensee shall provide to the CAA and to users of the Specified Facilities ~~or their representatives~~ detailed reasons for those differences.	Condition C2.7 reflects the process in the 5 years of the Q6 period. Condition C2.8 reflects the process in the Q6+1 and iH7 periods.
New C2.9 to C2.13 Modifications to	~~C2.9~~ The CAA may by notice modify this Condition C2 with immediate effect where there is written agreement from the Licensee and the AOC on the nature of the	This “self-modification” mechanism mirrors that