

Appendix C

Notice of the CAA's proposal to modify HAL's licence

Introduction

- C1 This Appendix constitutes a notice under section 22(2) of the Civil Aviation Act 2012 ("CAA12") ("Notice") that the CAA proposes to modify the licence granted to HAL by the CAA under section 15 of the CAA12 on 13 February 2014 ("the Licence") to implement the policy decisions set out in these Final Proposals for HAL's H7 Price Control.
- C2 The proposed modifications are set out below and are mostly set out in full in "tracked change" format in red in Table C.1 compared to the current version of the licence, which took effect on 2 February 2022.¹
- C3 However, as the modifications we propose to make to Schedule 1 of the Licence are very extensive, this Notice presents the changes as deleting the existing Schedule 1 and replacing it with the modified version in order to ensure the Schedule is straightforward for stakeholders to read. To aid stakeholders' understanding of the detailed changes to Schedule 2, these changes are summarised in Table C.2 below. The proposed modifications to Schedule 1 of the Licence are set out as a "clean" version of that schedule.
- C4 Where the reasons for, and effects of, the modifications set out in this Notice are set out in other chapters of these Final Proposals, the reasons for, and effects of the proposed modification set out in those other chapters are deemed to be incorporated in this Notice. Table C.1 sets out the main sections of these Final Proposals where those reasons are to be found.
- C5 Where we are not reinstating terms that had previously been included in the Licence for the Q6 price control (as extended), such as those relating to commercial agreements and the pass through for expansion costs, we have explained our reasons for this in chapter 14 (Implementing through the Licence) or in the relevant chapter on the policy in question.

What the modifications cover

- C6 Key areas that are addressed in these Final Proposals include:

¹ www.caa.co.uk/media/n4dbpdwr/heathrow-licence_20220202.pdf

- the projections of costs, revenues, allowed returns and passenger numbers and how we have used these to identify our final proposal for the H7 price cap on airport charges;
- our approach to incentivising efficient capital expenditure and service quality;
- how we intend to deal with the high degree of uncertainty created by the impact of the covid-19 pandemic;
- 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 in recent years;
- HAL's request for a further covid-19 related RAB adjustment; and
- other amendments to the regulatory framework and price control adjustment terms to ensure that these are suitable for the H7 period.

C7 Not all of these policy proposals require extensive licence modifications. For example, the projections of costs, revenues, allowed returns and passenger numbers are reflected in the calculation of the opening price cap, with details of the policy decisions and assumptions that have led to that price cap set out in these Final Proposals. Other policy proposals, such as the move to OBR require extensive changes to the licence to reflect the new measures and targets, even though mechanisms for calculating the rebates and bonuses draw on the approach adopted in the Q6 price control period.

Representations

C8 We welcome representations on any of the modifications proposed in this Notice. Details of when and how to respond are set out in the Summary of these Final Proposals.

The proposed licence modifications

C9 In summary, we are proposing changes to:

- **Condition C1 Price Control (see Table C.1 below)**, including:
 - a new opening price cap which takes into account our policy proposals relating to traffic forecasts, capex, opex and commercial revenues;
 - reinstating some of the adjustment terms and definitions that were used in the Q6 price control but were removed on 2 February 2022 as they were not needed to implement the holding price cap. These terms need to be reintroduced to the Licence now to enable the price cap to run for the five years of the H7 period. Most of these terms follow the

Q6 price control format but have been updated (and/or monetary values uplifted) to reflect our Final Proposals;

- a new term to enable the overall capex envelope for the H7 period to be increased, as discussed in chapter 6 (Assessment of capital expenditure);
- new adjustment terms to allow for the implementation of the TRS mechanism (as discussed in chapter 2 (Regulatory framework)) and uncertainty regarding the revenues that will be raised from the terminal drop-off charge (as discussed in chapter 5 (Commercial revenues)); and
- a new term to allow for the adjustment of over recovery of airport charge revenue in 2020 and 2021 (as discussed in chapter 14 (Implementing through the Licence)).
- **Condition C2 Charges for other services (discussed in chapter 8 (Other regulated charges)), 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; and
 - generally clarifying the obligations in this condition.
- **Condition D1 Service Quality (discussed in chapter 3 (Outcome Based Regulation)), including:**
 - changes to terminology to reflect our move from the SQRB scheme and to implement OBR and the scope of the mechanism for making changes to Schedule 1 of the Licence which sets out the details of the OBR arrangements; and
 - removing the ability for CAA to make a determination on changes to schedule 1 if there is no agreement between HAL and airlines on the change, so that the CAA will need to use the licence modification procedure set out in CAA12 if it considers that a change needed in the interests of consumers.
- **Condition E2 Financial Resilience (discussed in Appendix I (Financial resilience and ring fencing)), including:**
 - making minor changes to the sufficiency of resources obligation (and associated certificates) to ensure internal consistency within the licence by requiring HAL to have sufficient assets to operate the airport in accordance with the licence;

- making clear the equal importance of financial and operational resilience by requiring separate certificates for financial and operational resources (in place of the existing combined certificate);
- proposing new requirements to provide additional supporting evidence in circumstances where the directors of HAL draw the CAA's attention to matters that may affect HAL's resilience;
- including a new requirement in HAL's licence to ensure that the CAA has notice of, and access to, the same information as HAL provides to credit markets;
- clarifying the ultimate holding company undertaking; and
- including a new requirement in HAL's licence to ensure new directors are aware of the ultimate controller undertaking.
- **Condition F1 Consultation (discussed in chapter 14 (Licence implementation) and this appendix) including:**
 - renaming this condition to reflect its revised scope;
 - clarifying the expectations on, and process for HAL in agree with airlines the governance arrangements for capital development, ORCs and service quality; and
 - expanding the consultation arrangements to cover certain changes to the terminal drop-off charge.
- **Schedule 1 (discussed in chapter 3 (Outcome Based Regulation)), including:**
 - proposing to amend the title of this to become the Statement of Measures, Targets and Incentives (previously the Statement of Standards, Rebates and Bonuses);
 - replacing the schedule with a revised version that implements the move to outcome-based regulation, including new measures and targets and new terminology to implement our proposed policy; and
 - restructuring Schedule 1 to improve signposting and increase transparency. As the modifications we propose to the Schedule are extensive, we propose to modify it by replacing the Schedule. These changes are explained in Table C.2, followed by a "clean" version of the proposed Schedule setting out the text of the proposed modified statement.

C10 We are also proposing other minor, consequential changes throughout the Licence.

Table C.1: Proposed Licence modifications

Licence Condition and modification	Proposed modification	Reasons and effects
Part A: Condition C1 Price control		
Insert New Condition A3.1(f): Include a new definition of H7.	(f) ~~NOT-USED~~ H7 means the price control period set by the CAA in relation to the five Regulatory Years ending on 31 December 2026;	We are proposing to include a definition of “H7” that refers to the full five years of the price control period. The effect of this is to ensure the proper functioning of other elements of the price control. We have carefully considered each instance where it is used. Where only the years 2023 to 2026 are relevant, this has been made clear in the proposed modifications. Further reasons underlying this change are set out in chapter 2 (Regulatory framework).

Licence Condition and modification	Proposed modification	Reasons and effects
Insert New Condition A3.1(h): include a new definition of groundhandling.	(h) groundhandling has the meaning assigned to it by regulation 2(1) of the Airports (Groundhandling) Regulations 1997 (1997 No.2389).	The reasons for and effect of this modification is to clarify the use of this term in Conditions C2 and D2.
Part C: Condition C1 Price control		
Delete existing Condition C1 to C1.4	Delete Condition C1.1 in its entirety Delete Condition C1.2 in its entirety Delete Condition C1.3 in its entirety Delete Condition C1.4 in its entirety	The reason for these modifications is that these conditions need to be replaced by the new conditions set out below to implement the H7 price control. The effect of their removal is to allow for replacement of the holding price cap.
Insert new Condition C1.1	C1 Price Control 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 a Regulatory Year, it shall fix those charges at the levels best calculated to secure that, in that Regulatory 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. For Regulatory Year 2023, the maximum revenue yield per passenger shall be calculated as follows:	The reasons why we consider a price cap is needed for HAL are set out in the Summary and apply to all the modifications we are

Licence Condition and modification	Proposed modification	Reasons and effects
	$M_{2023} = Y_{2022} \times (1 + CPI_{2023} + X + B_{2021}) + \frac{AC_{2023}}{Q_{2023}} - \frac{T_{2023}}{Q_{2023}} + \frac{TDO_{2023}}{Q_{2023}} - AK_{2023}$ where: (a) M_{2023} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2023 expressed in pounds sterling; (b) Y_{2022} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2022, as defined in Condition C1.3(a); (c) CPI_{2023} is the percentage change between: (i) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year 2023; and (ii) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year 2022; (d) $X = -5.74\%$; (e) B_{2021} is the bonus factor in Regulatory Year 2023, based on the Licensee's service quality performance in Regulatory Year 2021, as defined in Condition C1.6; (f) AC_{2023} is the Licensee's allowed capex adjustment in the Regulatory Year 2023, as defined in Condition C1.7 to C1.12; (g) Q_{2023} is the number of passengers using the Airport in the Regulatory Year 2023; (h) T_{2023} is the capital trigger factor in the Regulatory Year 2023, as defined in Condition C1.13 to C1.14; (i) TDO_{2023} is the terminal drop-off charge factor in Regulatory Year 2023, as defined in	proposing to make to Condition C1. This condition sets the price cap for 2023, from which the price cap for subsequent years will be derived. The level of the price cap has been calculated to give effect to these Final Proposals. Details of the CAA's calculations underlying the level of this price cap are set out throughout these Final Proposals. Chapter 13 (Calculating the price cap and financeability) sets out our approach and the assumptions we have made in developing our Final Proposals for the level and profile of the price cap for the H7 price control.

Licence Condition and modification	Proposed modification	Reasons and effects
	Condition C1.15 to C1.16; and (j) AK_{2023} is the additional correction factor for Regulatory Year 2023, as defined in Condition C1.19 to C1.20.	
Insert New Condition 1.2	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 in each of the subsequent Regulatory Years starting on 1 January 2024 and ending on 31 December 2026, the Licensee shall fix those charges at the levels best calculated to secure that, in each Regulatory Year, 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: $M_t = Y_{t-1} \times (1 + CPI_t + X + B_{t-2}) + \frac{AC_t}{Q_t} - \frac{T_t}{Q_t} + \frac{TDO_t}{Q_t} + \frac{TRS_t}{Q_t} - AK_t - K_t$ where: (a) Y_{t-1} is the average revenue yield per passenger in Regulatory Year $t - 1$, as defined in Condition C1.3; (b) M_t is the maximum revenue yield per passenger using the Airport in Regulatory Year t expressed in pounds sterling; (c) CPI_t is the percentage change between: (i) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year t; and (ii) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year $t - 1$; (d) X has the same value as in Condition C1.1(d);	This condition provides the mechanism by which the price cap is updated for the remaining years of the H7 price control (Regulatory Years 2024 to 2026). This mechanism has been developed to give effect to these Final Proposals. Chapter 13 (Calculating the price cap and financeability) sets out our approach and the assumptions we have made in developing our Final Proposals for the level and profile of the price cap for the H7 price control.

Licence Condition and modification	Proposed modification	Reasons and effects
	(e) B_{t-2} is the bonus factor in Regulatory Year t, based on the Licensee's service quality performance in Regulatory Year $t - 2$, as defined in Condition C1.6; (f) AC_t is the Licensee's allowed capex adjustment in Regulatory Year t, as defined in Condition C1.7 to C1.12; (g) Q_t is the number of passengers using the Airport in Regulatory Year t; (h) T_t is the capital trigger factor in Regulatory Year t, as defined in Condition C1.13 to C1.14; (i) $TD0_t$ is the terminal drop-off charge factor in Regulatory Year t, as defined in Condition C1.15 to C1.16; (j) TRS_t is the traffic risk sharing factor in Regulatory Year t, as defined in Condition C1.17 to C1.18; (k) AK_t is the additional correction factor in Regulatory Year t, as defined in Condition C1.19 to C1.20; and (l) K_t is the correction factor in Regulatory Year t, as defined in Condition C1.21.	
Insert New Condition C1.3	Average revenue yield per passenger Y_{t-1} C1.3 Y_{t-1} is the average revenue yield per passenger in Regulatory Year $t - 1$ calculated in accordance with the following formula: $Y_{t-1} = Y_{t-2} \times (1 + CPI_{t-1} + X) + S_{t-1}$ where: (a) $Y_{2022} = £30.190 + S_{2022}$;	The effect of this formula is to calculate the average revenue yield per passenger in previous Regulatory Years for the purposes of the formula in Condition C1.2.

Licence Condition and modification	Proposed modification	Reasons and effects				
	(b) CPI_{t-1} is the percentage change between: (i) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year $t - 1$; and (ii) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year $t - 2$; (c) X has the same value as in Condition C1.1(d); and (d) 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 to C1.5.					
Insert New Condition C1.4 and C1.5 Allowable security and/or health and safety cost per passenger	Allowable security and/or health and safety cost per passenger S_{t-1} C1.4 S_{t-1} is the allowable security and/or health and safety cost per passenger in 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 positive values; reductions in costs from such changes shall be negative values. This mechanism applies only when the expected cumulative cost ("EC") associated with changes to security and/or health and safety standards are: (a) above a cumulative £22.12m "deadband" figure; or (b) below a cumulative - £22.12m "deadband" figure. C1.5 S_{t-1} is calculated in accordance with Table C.1 below: Table C1: Calculation of S_{t-1} <table><tr><th colspan="2">For each relevant Regulatory Year $t - 1$</th></tr><tr><td>If EC is a positive number, then:</td><td>If EC is a negative number, then:</td></tr></table>	For each relevant Regulatory Year $t - 1$		If EC is a positive number, then:	If EC is a negative number, then:	The effect of this condition is to calculate the value of S_{t-1} for the purposes of the formula in Condition C1.3 to allow for the recovery of allowable security and/or health and safety costs. The reasons for these costs being allowed through the price control are referred to in chapter 2 (Regulatory framework).
For each relevant Regulatory Year $t - 1$						
If EC is a positive number, then:	If EC is a negative number, then:					

Licence Condition and modification	Proposed modification				Reasons and effects
		if: $ EC_{t-1} > £22.12m$ and $ EC_{t-2} > £22.12m$ then: $S_{t-1} = 0.9 \times C_{t-1}$	if: $ EC_{t-1} > £22.12m$ and $ EC_{t-2} > £22.12m$ then: $S_{t-1} = 0.9 \times C_{t-1}$		
		OR: if: $ EC_{t-1} > £22.12m$ and $ EC_{t-2} < £22.12m$ then: $S_{t-1} = 0.9 \times \frac{(EC_{t-1} - £22.12m)}{TimeFactor \times Q_{t-1}}$	OR: if: $ EC_{t-1} > £22.12m$ and $ EC_{t-2} < £22.12m$ then: $S_{t-1} = 0.9 \times \frac{(EC_{t-1} + £22.12m)}{TimeFactor \times Q_{t-1}}$		
		OR: if: $ EC_{t-1} < £22.12m$ and $ EC_{t-2} > £22.12m$ then: $S_{t-1} = -0.9 \times \frac{(EC_{t-2} - £22.12m)}{TimeFactor \times Q_{t-1}}$	OR: if: $ EC_{t-1} < £22.12m$ and $ EC_{t-2} > £22.12m$ then: $S_{t-1} = -0.9 \times \frac{(EC_{t-2} + £22.12m)}{TimeFactor \times Q_{t-1}}$		
		Otherwise: $S_{t-1} = 0$	Otherwise: $S_{t-1} = 0$		
	where: (a) Q_{t-1} is the number of passengers using the Airport in Regulatory Year $t - 1$; and (b) TimeFactor is a time variable, which is defined in Table C.2 below: Table C.2: TimeFactor				

Licence Condition and modification	Proposed modification						Reasons and effects
		Regulatory Year t	2022	2023	2024	2025	2026
		TimeFactor	5	4	3	2	1
	(c) C _{t-1} is the total allowable security and/or health and safety claim per passenger using the Airport in Regulatory Year t – 1 (whether of a positive or negative value) expressed in pounds sterling, compared to security and/or health and safety costs per passenger in Regulatory Year t – 2;						
	(d) EC _t is the expected cumulative security and/or health and safety claim in Regulatory Year t, which shall be calculated in accordance with Table C.3 below:						
	Table C.3: Calculation of annualised allowable security and/or health and safety costs (EC _t)						
	Changes in Regulatory Year	Regulatory Year					
		2022	2023	2024	2025	2026	
	2022	5 × C ₂₀₂₂ × Q ₂₀₂₂	5 × C ₂₀₂₂ × Q ₂₀₂₂	5 × C ₂₀₂₂ × Q ₂₀₂₂	5 × C ₂₀₂₂ × Q ₂₀₂₂	5 × C ₂₀₂₂ × Q ₂₀₂₂	
	2023	0	4 × C ₂₀₂₃ × Q ₂₀₂₃	4 × C ₂₀₂₃ × Q ₂₀₂₃	4 × C ₂₀₂₃ × Q ₂₀₂₃	4 × C ₂₀₂₃ × Q ₂₀₂₃	
	2024	0	0	3 × C ₂₀₂₄ × Q ₂₀₂₄	3 × C ₂₀₂₄ × Q ₂₀₂₄	3 × C ₂₀₂₄ × Q ₂₀₂₄	

Licence Condition and modification	Proposed modification						Reasons and effects
	2025	0	0	0	$2 \times C_{2025} \times Q_{2025}$	$2 \times C_{2025} \times Q_{2025}$	
	2026	0	0	0	0	$1 \times C_{2026} \times Q_{2026}$	
	EC _t =	Sum rows	Sum rows	Sum rows	Sum rows	Sum rows	
	where: (i) C_t is the total allowable security and/or health and safety claim per passenger using the Airport in Regulatory Year t (whether of a positive or negative value) expressed in pounds sterling, compared to security and/or health and safety costs per passenger in Regulatory Year $t - 1$; and (ii) Q_t bears the same meaning as in Condition C1.2(g).						

Licence Condition and modification	Proposed modification	Reasons and effects
Insert New Condition C1.6 Bonus factor	Bonus factor B_{t-2} C1.6 B_{t-2} is the bonus factor based on performance achieved in respect of bonus measures bm of the Licensee's service quality Measures, Targets and Incentives scheme as defined in Condition D1. The bonus factor shall be calculated in accordance with Schedule 1 of this Licence.	The effect of this new condition is to calculate the value of B_{t-2} for the purposes of the formulae in Conditions C1.1 and C1.2 and address the impact of the OBR scheme on the price control. The reasons for the implementation of the OBR scheme are set out in chapter 3 (Outcome Based Regulation).

Insert New Conditions C1.7 to C1.12 Allowed Capex adjustment	Allowed capex adjustment AC_t					The effect of these conditions is to calculate the value of AC_t for the purposes of the formulae in Conditions C1.1 and C1.2 which address recovery of the difference between the annual capex allowance and HAL’s projected capex for each year. These conditions also provide for a mechanism that enables HAL to apply to the CAA to increase the level of its allowed capex as its capital plan matures during the course of H7. The reasons for these conditions are set out in chapter 7 (Capex incentives).																																							
	C1.7	AC_t is the capex adjustment, which adjusts the maximum revenue yield per passenger in Regulatory Year t to account for the changes in revenue requirement associated with allowed capex projects. AC_t shall be calculated in accordance with Table C.4 below.																																											
	Table C.4: Allowed capex adjustment																																												
	<table><tr><th rowspan="2">For projects in</th><th colspan="4">Adjustment for revenue requirement in Regulatory Year</th></tr><tr><th>2023</th><th>2024</th><th>2025</th><th>2026</th></tr><tr><td>Regulatory Year 2022</td><td>$\frac{P_{2023}}{P_{2022}} \times d_{2022}$</td><td>$\frac{P_{2024}}{P_{2022}} \times d_{2022}$</td><td>$\frac{P_{2025}}{P_{2022}} \times d_{2022}$</td><td>$\frac{P_{2026}}{P_{2022}} \times d_{2022}$</td></tr><tr><td>Regulatory Year 2023</td><td>$0.5 \times d_{2023}$</td><td>$\frac{P_{2024}}{P_{2023}} \times d_{2023}$</td><td>$\frac{P_{2025}}{P_{2023}} \times d_{2023}$</td><td>$\frac{P_{2026}}{P_{2023}} \times d_{2023}$</td></tr><tr><td>Regulatory Year 2024</td><td>0</td><td>$0.5 \times d_{2024}$</td><td>$\frac{P_{2025}}{P_{2024}} \times d_{2024}$</td><td>$\frac{P_{2026}}{P_{2024}} \times d_{2024}$</td></tr><tr><td>Regulatory Year 2025</td><td>0</td><td>0</td><td>$0.5 \times d_{2025}$</td><td>$\frac{P_{2026}}{P_{2025}} \times d_{2025}$</td></tr><tr><td>Regulatory Year 2026</td><td>0</td><td>0</td><td>0</td><td>$0.5 \times d_{2026}$</td></tr><tr><td></td><td>Sum Rows $\times RWACC$</td><td>Sum Rows $\times RWACC$</td><td>Sum Rows $\times RWACC$</td><td>Sum Rows $\times RWACC$</td></tr></table>						For projects in	Adjustment for revenue requirement in Regulatory Year				2023	2024	2025	2026	Regulatory Year 2022	$\frac{P_{2023}}{P_{2022}} \times d_{2022}$	$\frac{P_{2024}}{P_{2022}} \times d_{2022}$	$\frac{P_{2025}}{P_{2022}} \times d_{2022}$	$\frac{P_{2026}}{P_{2022}} \times d_{2022}$	Regulatory Year 2023	$0.5 \times d_{2023}$	$\frac{P_{2024}}{P_{2023}} \times d_{2023}$	$\frac{P_{2025}}{P_{2023}} \times d_{2023}$	$\frac{P_{2026}}{P_{2023}} \times d_{2023}$	Regulatory Year 2024	0	$0.5 \times d_{2024}$	$\frac{P_{2025}}{P_{2024}} \times d_{2024}$	$\frac{P_{2026}}{P_{2024}} \times d_{2024}$	Regulatory Year 2025	0	0	$0.5 \times d_{2025}$	$\frac{P_{2026}}{P_{2025}} \times d_{2025}$	Regulatory Year 2026	0	0	0	$0.5 \times d_{2026}$		Sum Rows $\times RWACC$	Sum Rows $\times RWACC$	Sum Rows $\times RWACC$	Sum Rows $\times RWACC$
	For projects in	Adjustment for revenue requirement in Regulatory Year																																											
		2023	2024	2025	2026																																								
	Regulatory Year 2022	$\frac{P_{2023}}{P_{2022}} \times d_{2022}$	$\frac{P_{2024}}{P_{2022}} \times d_{2022}$	$\frac{P_{2025}}{P_{2022}} \times d_{2022}$	$\frac{P_{2026}}{P_{2022}} \times d_{2022}$																																								
	Regulatory Year 2023	$0.5 \times d_{2023}$	$\frac{P_{2024}}{P_{2023}} \times d_{2023}$	$\frac{P_{2025}}{P_{2023}} \times d_{2023}$	$\frac{P_{2026}}{P_{2023}} \times d_{2023}$																																								
	Regulatory Year 2024	0	$0.5 \times d_{2024}$	$\frac{P_{2025}}{P_{2024}} \times d_{2024}$	$\frac{P_{2026}}{P_{2024}} \times d_{2024}$																																								
	Regulatory Year 2025	0	0	$0.5 \times d_{2025}$	$\frac{P_{2026}}{P_{2025}} \times d_{2025}$																																								
Regulatory Year 2026	0	0	0	$0.5 \times d_{2026}$																																									
	Sum Rows $\times RWACC$	Sum Rows $\times RWACC$	Sum Rows $\times RWACC$	Sum Rows $\times RWACC$																																									
where:																																													
(a) P_t is the average value of the Office for National Statistics monthly CHAW Retail Price																																													

	Index over Regulatory Year t; (b) d_t is the allowed capex adjustment in Regulatory Year t as defined in Condition C1.8; and (c) RWACC is the pre-tax RPI-real weighted average cost of capital which shall have a value of 4.18%. C1.8 For the purposes of Condition C1.7, the allowed capex adjustment (d_t) in Regulatory Year t is an amount equal to the difference between the capex allowance included in the H7 settlement and the total capex associated with capex projects in Regulatory Year t, and is to be calculated as follows: $d_t = IC_t - AV_t \times \frac{P_t}{P_{2018}} + AddC_t \times InfAddC_t$ where: (a) IC_t is the total capex incurred by the Licensee in Regulatory Year t in accordance with the governance arrangements; (b) AV_t is the available capex allowance in Regulatory Year t in 2018 RPI-real prices; and is given by: (i) £356.788 million for 2022; (ii) £543.902 million for 2023; (iii) £668.919 million for 2024; (iv) £962.008 million for 2025; and (v) £907.895 million for 2026. (c) P_t bears the same meaning as in Condition C1.7(a); (d) P_{2018} is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year 2018 and is equal to 281.58;	
--	---	--

	(e) $AddC_t$ is additional capex allowance for Regulatory Year t determined by the CAA through the Capex Adjustment Mechanism in accordance with Condition C1.9. It shall have the value zero unless otherwise directed by the CAA in accordance with that condition; and (f) $InfAddC_t$ is the inflation adjustment applicable to $AddC_t$ for Regulatory Year t as set out in Condition C1.12(b)(i). C1.9 The Licensee may seek a decision by the CAA to direct a value for one or more capex allowances for inclusion in the calculation of $AddC_t$ in Condition C1.8. The Licensee may apply to the CAA for a decision to make such a direction where it considers that the following criteria (the “Capex Adjustment Criteria”) are both met: (a) the Licensee considers that it is in the interests of consumers for it to undertake capex projects that were not included in the calculation of AV_t. Such capex projects may include, but are not limited to, capex projects to reduce, control or mitigate the adverse environmental effects of the Airport; and (b) over the H7 period, the Licensee expects to incur a cumulative capex of a value more than the H7 total available capex allowance, calculated in accordance with the following formula: $\sum_{t=2022}^{t=2026} AV_t$ where AV_t shall bear the meaning given to that term in Condition C1.8. C1.10 Except where the CAA has given consent in writing, the Licensee may make an application under Condition C1.9 only during the following periods: (a) 1 February 2024 to 31 March 2024; and/or (b) 1 February 2025 to 31 March 2025.	
--	--	--

	C1.11 For the purposes of Condition C1.9, the Licensee must support any application with comprehensive evidence setting out: (a) the scope of the capex project(s) that are the subject matter of its application (the “Project(s)”); (b) the costs that the Licensee expects to incur during the H7 period in relation to each Project which is the subject of its application; (c) the basis on which the Licensee considers that the Project(s) (individually or cumulatively) meet each of the Capex Adjustment Criteria; (d) evidence setting out how airlines have been consulted in relation to each Project in accordance with the governance arrangements; and (e) a report setting out airlines’ views on the matters consulted on under Condition C1.11(d). The Licensee shall make any application in accordance with the requirements of any additional guidance on the form or content of applications that the CAA may publish. C1.12 Where the Licensee has made an application under Condition C1.9, the CAA will: (a) before making a direction under Condition C1.9, publish on its website: (i) the Licensee’s application that does not contain information that the CAA considers is confidential to the Licensee; (ii) the text of any proposed direction that it is proposing to make; (iii) the reasons for the proposed direction; and (iv) a period during which representations may be made on the proposed direction, which will not be less than 28 days. (b) after the period for representations set out in this Condition has ended, make a decision to direct on: (i) such adjustment or adjustments to the value of $AddC_t$, and such value for the inflation adjustment applicable to it ($InfAddC_t$) as it considers appropriate in the	
--	---	--

	interests of consumers, and the Regulatory Years to which any such adjustment and/or inflation adjustment relate; (ii) rejecting the Licensee's application; or (iii) requesting more information from the Licensee.	
Insert New Conditions C1.13 and C1.14 Trigger Factor	Trigger factor T_t C1.13 T_t is the trigger factor in Regulatory Year t, which is a change in the maximum revenue yield per passenger occurring when the Licensee 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: (a) TF_{it} is the number of months between the milestone month and either: (i) for capex projects completed later than the milestone month, the earlier of the project completion date or the end of Regulatory Year t; or (ii) for capex projects completed earlier than the milestone month, the later of the project completion date or the start of Regulatory Year t. in either case, TF_{it} shall bear a maximum value of 12. (b) TM_{it} is the trigger payment associated with each trigger in Regulatory Year t and is defined as: $TM_{it} = MTP_i \times \frac{P_t}{P_{2018}}$ where: (i) MTP_i is the monthly trigger payment which is defined for each relevant project;	The effect of these conditions is to calculate the value of T_t for the purposes of the formulae in Conditions C1.1 and C1.2 and apply the capital trigger factor. The reasons for these conditions are set out in chapter 7 (Capex incentives).

	(ii) P_t bears the same meaning as in Condition C1.7(a); and (iii) P_{2018} bears the same meaning as in Condition C1.8(d). C1.14 The triggers, milestone month and monthly trigger payments shall bear the same meaning as set out in the Capital Investment Triggers Handbook and may be modified in accordance with the modification processes set out in that handbook.					
Insert New Conditions C1.15 and C1.16 Terminal drop-off charge	Terminal drop-off charge TDO_t C1.15 TDO_t is the Terminal drop-off charge factor that: (a) implements risk sharing; and (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. C1.16 TDO_t shall be calculated in accordance with Table C.5 below. Table C5: Calculation of the Terminal drop-off charge <table><tr><th>If $w_t = 0$</th><th>If $w_t = 1$</th></tr><tr><td>$-0.65 \times (OTDO_t - FTDO_t)$</td><td>$-1.00 \times (OTDO_t - FTDO_t)$</td></tr></table> where: (a) $w_t = 1$ if a change to legislation comes into force in Regulatory Year t that prevents the Licensee from recovering the full amount of the Forecast, and = 0 otherwise; (b) $OTDO_t$ is the outturn revenue collected by the Licensee from Terminal drop-off charges in Regulatory Year t; and (c) $FTDO_t$ 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.	If $w_t = 0$	If $w_t = 1$	$-0.65 \times (OTDO_t - FTDO_t)$	$-1.00 \times (OTDO_t - FTDO_t)$	The effect of these conditions is to calculate the value of TDO_t for the purposes of the formulae in Conditions C1.1 and C1.2 and apply the risk sharing mechanism in relation to revenues from the Terminal drop-off charge. The reasons for this condition are set out in chapter 5 (Commercial revenues).
If $w_t = 0$	If $w_t = 1$					
$-0.65 \times (OTDO_t - FTDO_t)$	$-1.00 \times (OTDO_t - FTDO_t)$					

Insert New
Conditions C1.17
and C1.18 Traffic
risk sharing

Traffic risk sharing adjustment TRS_t

C1.17 TRS_t is the traffic risk sharing adjustment in Regulatory Year t , which adjusts the maximum revenue yield per passenger in Regulatory Year t to take account of the number of passengers using the Airport in previous Regulatory Years being either higher or lower than the number forecast by the CAA and set out in Table C.8 in Condition C1.18. It shall be calculated in accordance with Table C.6 below.

Table C.6: Traffic Risk Sharing Adjustment

Adjustment for outturn in	Regulatory Year		
	2024	2025	2026
Regulatory Year 2022	$\frac{ARS_{2022}}{10} \times \frac{P_{2024}}{P_{2022}} \times (1 + RWACC)^2$	$\frac{ARS_{2022}}{10} \times \frac{P_{2025}}{P_{2022}} \times (1 + RWACC)^3$	$\frac{ARS_{2022}}{10} \times \frac{P_{2026}}{P_{2022}} \times (1 + RWACC)^4$
Regulatory Year 2023	0	$\frac{ARS_{2023}}{10} \times \frac{P_{2025}}{P_{2023}} \times (1 + RWACC)^2$	$\frac{ARS_{2023}}{10} \times \frac{P_{2026}}{P_{2023}} \times (1 + RWACC)^3$
Regulatory Year 2024	0	0	$\frac{ARS_{2024}}{10} \times \frac{P_{2026}}{P_{2024}} \times (1 + RWACC)^2$
TRS_t	Sum rows	Sum rows	Sum rows

where:

- (a) ARS_t is the annual risk share with respect to traffic outturns in Regulatory Year t , as defined in Condition C1.18;

The effect of these conditions is to calculate the value of TRS_t for the purposes of the formula in Condition C1.2 and implement the TRS mechanism.

The reasons for these conditions are set out in chapter 2 (Regulatory framework).

- (b) P_t bears the same meaning as in Condition C1.7(a); and
- (c) RWACC bears the same meaning as in Condition C1.7(c).
- C1.18 For the purposes of Condition C1.17, ARS_t is the annual risk share with respect to traffic outturns in Regulatory Year t , which is calculated in accordance with the formula below:

$$ARS_t = \sum_{i=1}^{i=4} RS_{it}$$

where RS_{it} is calculated in accordance with Table C.7 below:

Table C.7: Annual Risk Share

	If	then	otherwise
RS_{1t}	$OAR_t < 0.9 \times FAR_t$	$(0.9 \times FAR_t - OAR_t) \times 1.05$	0
RS_{2t}	$OAR_t < FAR_t$	$\{FAR_t - \max[(0.9 \times FAR_t), OAR_t]\} \times 0.5$	0
RS_{3t}	$OAR_t > FAR_t$	$\{FAR_t - \min[(1.1 \times FAR_t), OAR_t]\} \times 0.5$	0
RS_{4t}	$OAR_t > 1.1 \times FAR_t$	$(1.1 \times FAR_t - OAR_t) \times 1.05$	0

where:

- (a) OAR_t is the outturn allowed revenue in Regulatory Year t calculated in accordance with the formula below:

$$OAR_t = MY_t \times Q_t$$

where:

- (i) MY_t is the maximum allowed yield (excluding adjustments) in Regulatory Year t defined as:

For $t = 2022$: $MY_{2022} = £30.19$

For $t > 2022$: $MY_t = MY_{t-1} \times (1 + CPI_t + X)$

where:

1. CPI_t bears the same meaning as in Condition C1.2(c); and

2. X bears the same meaning as in Condition C1.1(d);

(ii) Q_t bears the same meaning as in Condition C1.2(g).

(b) FAR_t is the forecast allowed revenue in Regulatory Year t calculated in accordance with the formula below:

$$FAR_t = MY_t \times Q_t^f$$

where:

(i) MY_t bears the same meaning as in Condition C1.18(a)(i); and

(ii) Q_t^f is the forecast number of passengers using the Airport in Regulatory Year t , as set out in Table C.8 below.

Table C.8: Traffic Risk Sharing Adjustment

Regulatory Year	Forecast number of passengers
2022	54,874,872
2023	67,335,952
2024	75,360,950
2025	80,998,858
2026	81,631,688

Insert New Conditions C1.19 and C1.20 Additional correction factor	Additional correction factor AK_t C1.19 AK_t is the additional correction factor to be made in Regulatory Year t to return in full during Regulatory Years 2023 to 2026 the Licensee's over recovery of revenue from airport charges compared with M_{2020} and M_{2021}. AK_t is calculated as follows: $AK_t = \frac{1}{Q_t} \times \left[wR2020_t \times (R_{2020} - Q_{2020} \times M_{2020}) \times \frac{P_t}{P_{2020}} \times (1 + RWACC)^{t-2020} \right. \\ \left. + wR2021_t \times (R_{2021} - Q_{2021} \times M_{2021}) \times \frac{P_t}{P_{2021}} \times (1 + RWACC)^{t-2021} \right]$ where: (a) Q_t bears the same meaning as in Condition C1.2(g); (b) $wR2020_t$ is the proportion of the Licensee's over-recovery of revenue from airport charges in Regulatory Year 2020 to be included in the adjustment of the maximum allowable yield for Regulatory Year t and shall be subject to: $\sum_{t=2023}^{t=2026} wR2020_t = 1$ $0 \leq wR2020_{2023} \leq 1$ $0 \leq wR2020_{2024} \leq 1$ $0 \leq wR2020_{2025} \leq 1$ $0 \leq wR2020_{2026} \leq 1$ (i) The Licensee shall publish the value of $wR2020_t$ in the annual consultation for setting charges for Regulatory Year t. (c) $wR2021_t$ is the proportion of the Licensee's over-recovery of revenue from airport charges in Regulatory Year 2021 to be included in the adjustment of the maximum allowable yield for Regulatory Year t and shall be subject to:	The effect of these conditions is to calculate the value of AK_t for the purposes of introducing a new mechanism to address the over-recovery of revenues in Regulatory Years 2020 and 2021. The reasons for this are set out in chapter 14 (Implementing through the Licence).
---	---	--

	$\sum_{t=2023}^{t=2026} wR2021_t = 1$ $0 \leq wR2021_{2023} \leq 1$ $0 \leq wR2021_{2024} \leq 1$ $0 \leq wR2021_{2025} \leq 1$ $0 \leq wR2021_{2026} \leq 1$ (i) The Licensee shall publish the value of $wR2021_t$ in the annual consultation for setting charges for Regulatory Year t. (d) R_t is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year t expressed in pounds sterling; (e) M_t bears the same meaning as in Condition C1.2(b); (f) P_t bears the same meaning as in Condition C1.7(a); (g) P_{2020} is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year 2020 and is equal to 293.14; (h) P_{2021} is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year 2021 and is equal to 305.00; and (i) RWACC bears the same meaning as in Condition C1.7(c). C1.20 For the purposes of Condition C1.19, the values of R_t, Q_t and M_t shall be calculated 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.	
Insert New Condition C1.21 correction factor	Correction factor K_t C1.21 K_t is the correction factor (whether positive or negative value) to be made in Regulatory Year t, which is calculated as follows:	The effect of this condition is to calculate the value of K_t for the purposes of the formulae in Conditions

	$K_t = \frac{1}{Q_t} \times (R_{t-2} - Q_{t-2} \times M_{t-2}) \times \left(1 + \frac{I_{t-2}}{100}\right)^2$ where: (a) R_{t-2} is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year $t - 2$ expressed in pounds sterling; (b) Q_{t-2} is the number of passengers using the Airport in Regulatory Year $t - 2$; (c) M_{t-2} is the maximum revenue yield per passenger using the Airport in Regulatory Year $t - 2$ expressed in pounds sterling; (d) I_{t-2} is the appropriate interest rate for 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.	C1.1 and C1.2 and correct the maximum allowed yield for over- or under-recovery of revenues in previous Regulatory Years.
Insert New Condition C1.22 Definitions	Definitions C.1.22 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 Year which arise as a result of a change in required security and/or health and safety standards at the Airport, where the CAA agrees in writing that the relevant standard has changed, divided by the number of passengers using the Airport in that 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 Year, before any deduction of rebates under the Measures, Targets and Incentives Scheme in Schedule 1 of this Licence, divided by the total number of passengers using the Airport in the relevant Regulatory Year; (c) the Capital Investment Triggers Handbook means the handbook published by the	These definitions are largely being reintroduced from the equivalent provisions of the licence as it was prior to 2022. Their effect is to enable other provisions of Condition C1 to work properly to support the policy outcomes set out in these Final Proposals. Where appropriate, they have been updated and clarified from the

	Licensee in accordance with Condition F1.1(a) which contains details of the triggers, milestone months and monthly trigger payments for capex projects and details of how future changes to those elements can be made with the agreement of the Licensee and the airlines; (d) capex project is any project that is being taken forward in accordance with the governance arrangements; (e) the governance arrangements means the arrangements set out in the Capital Efficiency Handbook published by the Licensee as required in accordance with Condition F1.1(a); (f) A passenger using the Airport is a passenger who (i) boards an aircraft at the Airport as the origin of their journey; (ii) arrives at the Airport as the final destination of their journey; (iii) is a transferring passenger who changes from one aircraft to another at the Airport; or (iv) is a transiting passenger who arrives at the Airport on an aircraft with one flight number, remains airside, and departs from the Airport on the same flight number; (g) project completion date is the date when, in accordance with the governance arrangements, the Licensee has achieved the trigger criteria as defined for each project in the Capital Investment Triggers Handbook; (h) 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; (i) specified rate 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 (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	definitions used in the Q6 price control.
--	---	--

	Regulatory Year t – 1; (j) Terminal drop-off charge means the per vehicle charge for accessing the drop off area for departures from any terminal at the Airport, as set by the Licensee from time to time.		
Part C Condition C2 Charges for other services			
Amend Condition C2.1	C2.1	By ~~30 September 2014 and by~~ 30 September in each ~~subsequent year~~ Regulatory Year, the Licensee shall ~~inform~~ provide to the CAA and users of the Specified Facilities details 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.~~	The effects of the modifications to this condition are to account for the new Price Control Coming into effect and clarify the expectations on HAL. The reasons for this are set out in chapter 8 (Other regulated charges).
New Condition C2.2 and C2.3	C2.2 C2.3	The CAA may, by notice published no later than 31 October in any Regulatory Year and following a reasonable period of consultation, require the Licensee to amend the cost allocation methodology referred to in Condition C2.1 in the manner, or to achieve the outcomes, specified in the notice provided that such amendments will not result in the Licensee failing to recover all costs in accordance with the rules and processes set out in the ORC governance arrangements. Where the CAA has required the Licensee to amend the cost allocation methodology under Condition C2.2, the Licensee must make the changes specified in the notice before the start of the next Regulatory Year.	The effect of these new conditions is to enable the CAA to require HAL to amend its approach to cost allocation for ORCs. The reasons for the CAAs approach are set out in chapter 8 (Other regulated charges).
New Condition C2.4	C2.4	The Licensee shall facilitate and pay for an independent review of the appropriateness of the cost allocation methodology to validate that the cost allocation methodology ensures that the costs of the Specified Facilities are allocated between airlines and non-airline users of the Specified Facilities on a fair and reasonable basis. The terms of reference of the review shall	The effect of this new condition is to facilitate an independent review of

		be set by the CAA after consultation with the Licensee and users of the Specified Facilities. The independent reviewer for this purpose will be appointed by the Licensee and shall report to the CAA and copies of that report shall be made available to users of the Specified Facilities. The Licensee may recover its costs for this review through ORC charges.	HAL's ORC cost allocation methodology. The reasons for the CAAs approach are set out in chapter 8 (Other regulated charges).
Amend Condition C2.2 and renumber as C2.5	C2.25	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 ~~year ending the previous 31 December~~ preceding Regulatory Year in a form, and to a sufficient degree of detail, as set out in the governance arrangements, to enable the CAA and users of the Specified Facilities to be reasonably satisfied that the charges that the Licensee proposes to apply to the Specified Facilities are derived in accordance with the cost allocation methodology.	The effects of the modifications to this condition are to clarify and enhance the expectations of cost and revenue transparency on HAL in relation to ORCs. The reasons for this are set out in chapter 8 (Other regulated charges).
Amend Condition C2.3 and renumber as C2.6	C2.36	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 of ("the pricing principles"): (a) ~~for each item charged~~ confirming the principles it shall use for calculating the charges it levies for each Specified Facility, as set out in the governance arrangements; and (b) ~~setting out including~~ the assumptions and relevant cost information in a form, and to a sufficient degree of detail, as set out in the governance arrangements, to enable the CAA and users of the Specified Facilities to be reasonably satisfied ~~adequate to verify~~ that the charges ~~derive from~~ that the Licensee proposes to apply to the Specified Facility are derived in accordance with the ~~application of~~ pricing principles.	The effects of the modifications to this condition are clarify and enhance the expectations of pricing transparency on HAL in relation to ORCs. The reasons for this are set out in chapter 8 (Other regulated charges).

Amend Condition C2.4 and renumber as C2.7	C2.47 Where charges for the Specified Facilities are not established in relation to the cost allocation methodology or the pricing principles, the Licensee shall provide 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, as set out in the governance arrangements, to enable the CAA and users of the Specified Facilities 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	The effect of the modifications to this condition are to further clarify and enhance the expectations of transparency on HAL in relation to ORCs where it does not use the cost allocation methodology or pricing principles under Condition C2. The reasons for this are set out in chapter 8 (Other regulated charges).
Delete Condition C2.5	~~C2.5 Where, in respect of any relevant Regulatory Year (apart from the Regulatory Year 2022) 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 to 31 December 2018 (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.~~	The effect of this modification is to delete this condition, which is now covered by the amended Condition C2.8.
Amend Condition C2.6 and renumber as C2.8	C2.68 Where, in respect of any the Regulatory Year 2022, 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.	The effect of these modifications to this condition is to further clarify the expectations of transparency on HAL in relation to changes in ORC revenues from year to year. The reasons for

		these modifications are set out in chapter 8 (Other regulated charges).
Insert New Conditions C2.9 to C2.11	C2.9 The CAA may by notice modify the list of Specified Facilities in this Condition C2 with immediate effect where there is written agreement from the Licensee and the AOC on the nature of the modification to be made. C2.10 The modifications that can be made under Condition C2.9 shall be limited to any modifications to the list of Specified Facilities to include particular facilities in (or exclude them from) the list in Condition C2.12(a). C2.11 Modifications can be made to the list of Specified Facilities in this Condition C2 under Condition C2.9 at any time.	The effect of these new conditions is to create a “self modification” procedure for amending the list of “Specified Facilities” covered by ORCs, as permitted by section 21(3) CAA12 and without the need to use the procedure set out in section 22 CAA12. If there is no agreement, but the CAA considers that changes are needed it will modify the licence under section 22 CAA12, which affords the right of appeal. The reasons for this modification are set out in chapter 8 (Other regulated charges).
Amend Condition C2.7 and	C2.7 In this Condition C2 (a) the Specified Facilities are:	The effect of this new condition is to update and clarify the list of “Specified

renumber as C2.12	~~a. check-in desks;~~ (i) baggage handling systems (ii) Hold Baggage Screening; (iii) services for Passengers with reduced mobility (PRM)s; (iv) staff car parking; (v) staff identity ID cards; (vi) fixed electrical ground power; (vii) pre-conditioned air; (viii) airside licences; (ix) waste, recycling and refuse collection; (x) taxi feeder park; (xi) ~~heating and~~ utility services (including electricity, ~~gas~~, water and sewerage); ~~and~~ (xii) ~~HAL~~ the Licensee's contribution to the funding of the AOC ~~(xiii) facilities for bus and coach operators; (m) common IT infrastructure; and~~ (b) the governance arrangements means the arrangements set out in the ORC Protocol published as required in accordance with Condition F1.1(a); and (c) users of the Specified Facilities are (i) airlines (including the AOC) that the Licensee charges directly for use of the Specified Facilities; and (ii) any other person that the Licensee charges directly for use of the Specified Facilities including, but not limited to, suppliers of groundhandling services, retailers, hotels, UK Border Force and hire car operators, or their representatives.	Facilities" covered by ORCs. These modifications also specify the governance arrangements that apply and define users of Specified Facilities in order to clarify other obligations in Condition C2. The reasons for these modifications are set out in chapter 8 (Other regulated charges).
Part C Condition C3 Procurement of capital projects		