

# Economic regulation of Heathrow Airport Limited: H8 Initial Proposals

## Appendices C - D

CAP 3232E

Published by the Civil Aviation Authority 2026

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First published March 2026

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## APPENDIX C

## Draft licence modifications

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### Introduction

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- C1 This Appendix sets out our current view of the modifications to the Licence that we consider would be required to implement our initial proposals. We welcome comments from stakeholders on these draft modifications, as part of their responses to our initial proposals. We intend to publish an updated set of proposed modifications alongside our final proposals, which will constitute a notice under section 22(2) of CAA12 and will start the formal legal process for modifying the Licence.
- C2 The vast majority of these draft modifications are intended to implement the policy proposals set out in these initial proposals. The draft modifications fall into three main categories.
- C3 The first category is the set of changes necessary to implement a new price control and associated provisions. The draft modifications in this category include:
- changes to the main price cap parameters, such as the value of the “X” factor and the weighted average cost of capital, and updating the forecasts of total capex and traffic volumes that are used in the allowed capex adjustment and the traffic risk sharing adjustment;
  - updating references to particular years or time periods, so that they refer to years in the H8 period rather than H7; and
  - deleting aspects of the price control that were specific to the H7 period, such as the additional correction factor and the parts of Schedule 1 that deal with pre-May 2023 bonuses.
- C4 The second category consists of modifications required to implement certain policy changes included in these initial proposals and discussed in the relevant chapters above. Some of these changes relate to proposed updates to the Measures, Targets and Incentives (“MTI”) framework which is set out in Schedule 1 of the Licence. These include:
- deleting three of the existing measures (hygiene safety testing, airport that meets my needs and the percentage of the population of the United Kingdom within three hours of the airport by public transport);

- switching two other measures (PRM – overall satisfaction, and timely delivery from departures baggage system) from reputational to financial incentives;
- expanding the scope of bonus scheme to include two measures (security queue time – staff search, and control posts vehicle queuing time) that currently do not attract bonuses; and
- changes to some of the targets, bonus thresholds and the level of rebates or bonuses applying to individual measures.

C5 Other proposed policy changes that will require licence modifications include:

- changing the inflation index used from CPI to CPIH;
- some changes to the dates by which HAL must provide details of its cost allocation methodology and the actual costs incurred in relation to Other Regulated Charges (“ORCs”), with an independent review of its cost allocation methodology now required only if requested by us; and
- changing the evidence that is required in relation to operational resilience from a report by HAL’s auditors to a form and level of detail approved by us, with confirmation from HAL’s Board of its accuracy.

C6 The third category consists of changes that are necessary to ensure the Licence remains fit for purpose, but do not of themselves change CAA’s current policy. They include:

- changes to paragraph numbers and cross-references to other parts of the Licence, including consequential changes where sections of the Licence have been added or removed and a small number of corrections;
- some consequential changes to definitions in the Licence (for example, removing the definition of H7 and inserting a definition of H8); and
- removing some duplicate or redundant text, including Condition C1.9 and some sub-paragraphs of paragraph 5.7 of Schedule 1.

C7 These draft modifications are shown in the table below. Note that we have not included cases where the only change is to update a cross-reference to another part of the Licence for which the condition or paragraph number has changed.

C8 This Appendix is intended to give stakeholders the opportunity to comment on the format of the proposed licence changes. In some instances, we have not updated specific numbers to reflect those in the main body of the text because there remains significant some uncertainty around the final value they will take. This is particularly the case for the level of the price cap for 2027 and the value of X given we have publicly committed to a holding cap.

Licence Condition and modification	Draft modification	Reasons and effects
<b>Part A</b>	<b>A3 Definitions</b>	
Amend Condition B2.1 and renumber as A3.1	<p><del>B2.1</del>A3.1 In this Licence:</p> <ul style="list-style-type: none"> <li>(a) airport charges has the meaning assigned to it by regulation 3(1) of the Airport Charges Regulations 2011 (2011 No.2491);</li> <li>(b) the CAA means the Civil Aviation Authority;</li> <li>(c) the Act means the Civil Aviation Act 2012;</li> <li>(d) airlines means providers of air transport services;</li> <li>(e) the AOC means Heathrow Airline Operators Committee, a company limited by guarantee representing all airlines at the Airport. Agreement of the AOC shall be decided according to the AOC's governance arrangements;</li> <li>(f) <del>H7H8</del> means the period of the price control set by the CAA in relation to the five Regulatory Years ending on 31 December <del>2026</del>2031;</li> <li>(g) the Regulatory Year means the twelve month period beginning on 1 January and ending on 31 December; and</li> <li>(h) groundhandling has the meaning assigned to it by regulation 2(1) of the Airports (Groundhandling) Regulations 1997 (1997 No.2389).</li> </ul>	The effect of this modification is to correct an incorrect paragraph reference and to define "H8" as the full five years of the price control period. The reason is to ensure the proper functioning of other elements of the price control.
<b>Part C</b>	<b>C1 Price Control</b>	

Amend Condition C1.1	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 Year <del>2023</del> 2027 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, which shall be £ <del>31.57xx.xx</del> .	The effect of this modification is to define the price cap for 2027. The reasons for setting the price cap at this level are set out in Chapter 11.
Amend Condition C1.2	C1.2 If the Licensee has fixed the amounts to be levied by it by way of airport charges in respect of relevant air transport services in the Regulatory Year <del>2023-2027</del> at levels that exceed the maximum yield per passenger set out in Condition C1.1, the Licensee shall, within one month of Condition <del>Price Control</del> C1 Price Control coming into effect in relation to the Regulatory Year <del>2023-2027</del> , consult airlines under the Airport Charges Regulations 2011 (2011 No.2491) to reset its prices to a level calculated to secure compliance with Condition C1.1.	The effect of this modification is to require HAL to carry out a new consultation on report charges if it has set its charges on a maximum yield greater than that set out in Condition C1.1. The reasons are to protect consumers from the impact of charges being above the new price cap.
Delete Condition C1.4	Delete Condition C1.4 in its entirety.	The reasons and effect of this modification are to remove part of the H7 price control that is no longer required in H8 as there will be a single

		condition defining the price cap for all four remaining years of H8.
Amend Condition C1.5 and renumber as C1.4	<p><b>C1.54</b> 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 <del>2025</del> <b>2028</b> and ending on 31 December <del>2026</del> <b>2031</b>, 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:</p> $M_t = Y_{t-1} \times (1 + \text{CPI}_{\text{£}}\text{CPIH}_t + X_t + B_{t-2}) + \frac{AC_t}{Q_t} - \frac{T_t}{Q_t} + \frac{TDO_t}{Q_t} + \frac{TRS_t}{Q_t} - \text{AK}_{\text{£}} + \text{H7}_{\text{£}} - K_t$ <p>where:</p> <ul style="list-style-type: none"> <li>(a) <math>M_t</math> is the maximum revenue yield per passenger using the Airport in Regulatory Year t expressed in pounds sterling;</li> <li>(b) <math>Y_{t-1}</math> is the average revenue yield per passenger in Regulatory Year t – 1, as defined in Condition <del>C1.6</del> <b>C1.5</b>;</li> <li>(c) <math>\text{CPI}_{\text{£}}\text{CPIH}_t</math> is the percentage change between:             <ul style="list-style-type: none"> <li>(i) the average value of the Office for National Statistics monthly <del>D7BT Consumer Price Index-L522 Consumer Prices Index including owner occupiers' housing costs (CPIH)</del> over Regulatory Year t; and</li> <li>(ii) the average value of the Office for National Statistics monthly <del>D7BT Consumer Price Index-L522 Consumer Prices Index including owner</del></li> </ul> </li> </ul>	The effect of this modification is to define the price cap for the remaining years of H8 (2028-31), including the removal of two terms in the formula that were only required for the H7 control period and the adoption of a new inflation index. The reasons for setting the price cap according to this formula are set out in Chapters 10 and 11.

**occupiers' housing costs (CPIH) over Regulatory Year  $t - 1$ ;**

- (d)  $X_t = \theta tbc$ ;
- (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 C1.9~~ **calculated in accordance with Schedule 1 of this licence**;
- (f)  $AC_t$  is the Licensee's allowed capex adjustment in the Regulatory Year  $t$ , as defined in Condition ~~C1.10 to C1.15~~ **C1.8 to C.13**;
- (g)  $Q_t$  is the number of passengers using the Airport in the Regulatory Year  $t$ ;
- (h)  $T_t$  is the capital trigger factor in the Regulatory Year  $t$ , as defined in Condition ~~C1.16 to C1.17~~ **C.14 to C.15**;
- (i)  $TDO_t$  is the terminal drop-off charge factor in Regulatory Year  $t$ , as defined in Condition ~~C1.18 to C1.19~~;
- (j)  $TRS_t$  is the traffic risk sharing factor in Regulatory Year  $t$ , **where**;
  - (i)  $TRS_{2028} = 0$ ; and
  - (ii)  $TRS_t$  for Regulatory Years 2029 to 2031 is as defined in Condition ~~C1.20 to C1.21~~ **C.17 to C.18**;
- ~~(k)  $AK_t$  is the additional correction factor for Regulatory Year  $t$ , as defined in Condition C1.22;~~
- ~~(l)  $H7_t$  is the H7 factor for Regulatory Year  $t$ , as defined in Condition C1.23; and~~

	<p>(mk) <math>K_t</math> is the correction factor in Regulatory Year t, as defined in Condition <del>C1.24</del> C1.19.</p>	
<p>Amend Condition C1.6 and renumber as C1.5</p>	<p>C1.65 <math>Y_{t-1}</math> is the average revenue yield per passenger in Regulatory Year t – 1 calculated in accordance with the following formula:</p> $Y_{t-1} = Y_{t-2} \times (1 + \text{CPI}_{t-1} \text{CPIH}_{t-1} + X_{t-1}) + S_{t-1}$ <p>where:</p> <p>(a) <math>Y_{20232027} = \text{£}31.570\text{xx.xx} + S_{20232027}</math>;</p> <p>(b) <del>CPI</del>CPIH<sub>t</sub> is the percentage change between:</p> <p>(i) the average value of the Office for National Statistics monthly <del>D7BT Consumer Price Index-L522</del> Consumer Prices Index including owner occupiers' housing costs (CPIH) over Regulatory Year t – 1; and</p> <p>(ii) the average value of the Office for National Statistics monthly <del>D7BT Consumer Price Index-L522</del> Consumer Prices Index including owner occupiers' housing costs (CPIH) over Regulatory Year t – 2;</p> <p>(c) <math>X_t</math> has the same value as in <del>Condition 0(d), except that in respect of Regulatory Year 2024, <math>X_{2024}</math> has the same value as in</del> Condition C1.4(d); and</p> <p>(d) <math>S_{t-1}</math> is the allowable security and/or health and safety cost per passenger in Regulatory Year t – 1, as defined in Condition <del>C1.7 to C1.8</del> C1.6 to C1.7.</p>	<p>The reasons and effect of this modification are to update the calculation of the average revenue yield per passenger in previous Regulatory Years for the purposes of the formula in Condition C1.4.</p>
<p>Renumber Condition C1.7 as C1.6</p>	<p>[No other modifications to this condition]</p>	<p>This is a consequential amendment with no material effect.</p>

Amend Condition C1.8 and renumber as C1.7

C1.87  $S_{t-1}$  is calculated in accordance with Table C.1 below:

**Table C.1: Calculation of  $S_{t-1}$**

For each relevant Regulatory Year $t - 1$	
If EC is a positive number, then:	If EC is a negative number, then:
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  $t - 1$ ;

The reasons and effect of this modification are to update the formula for calculating allowable security and/or health and safety costs so it refers to years in the H8 control period.

(b) TimeFactor is a time variable, which is defined in Table C.2 below:

**Table C.2: TimeFactor**

Regulatory Year t	20222027	20232028	20242029	20252030	20262031
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				
	20222027	20232028	20242029	20252030	20262031
20222027	$5 \times C_{20222027} \times Q_{20222027}$	$5 \times C_{20222027} \times Q_{20222027}$	$5 \times C_{20222027} \times Q_{20222027}$	$5 \times C_{20222027} \times Q_{20222027}$	$5 \times C_{20222027} \times Q_{20222027}$
20232028	0	$4 \times C_{20232028} \times Q_{20232028}$	$4 \times C_{20232028} \times Q_{20232028}$	$4 \times C_{20232028} \times Q_{20232028}$	$4 \times C_{20232028} \times Q_{20232028}$
20242029	0	0	$3 \times C_{20242029} \times Q_{20242029}$	$3 \times C_{20242029} \times Q_{20242029}$	$3 \times C_{20242029} \times Q_{2024}$

	<del>2025</del> 2030	0	0	0	$2 \times C_{202530} \times Q_{202530}$	$2 \times C_{202530} \times Q_{202530}$	
	<del>2026</del> 2031	0	0	0	0	$1 \times C_{202631} \times Q_{202631}$	
	EC <sub>t</sub> =	Sum rows	Sum rows	Sum rows	Sum rows	Sum rows	
<p>where:</p> <ul style="list-style-type: none"> <li>(i) C<sub>t</sub> 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</li> <li>(ii) Q<sub>t</sub> bears the same meaning as in Condition <del>C1.5(g)</del>C1.4(g).</li> </ul>							
Delete Condition C1.9	Delete Condition C1.9 in its entirety						The reasons and effect of this modification are to simplify the licence, as Condition C1.4(e) now cross-refers directly to Schedule 1 of this licence.
Amend Condition C1.10 and renumber as C1.8	<p><del>C1.408</del> AC<sub>t</sub> 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<sub>t</sub> shall be calculated in accordance with Table C.4 below.</p> <p><b>Table C.4: Allowed capex adjustment</b></p>						The reasons and effect of this modification are to update the formula for calculating the allowed capex adjustment so it refers

For projects in Regulatory Year	Adjustment for revenue requirement in Regulatory Year		
	2024	2025	2026
2022	$\frac{P_{2024}}{P_{2022}} \times d_{2022}$	$\frac{P_{2025}}{P_{2022}} \times d_{2022}$	$\frac{P_{2026}}{P_{2022}} \times d_{2022}$
2023	$\frac{P_{2024}}{P_{2023}} \times d_{2023}$	$\frac{P_{2025}}{P_{2023}} \times d_{2023}$	$\frac{P_{2026}}{P_{2023}} \times d_{2023}$
2024	$0.5 \times d_{2024}$	$\frac{P_{2025}}{P_{2024}} \times d_{2024}$	$\frac{P_{2026}}{P_{2024}} \times d_{2024}$
2025	0	$0.5 \times d_{2025}$	$\frac{P_{2026}}{P_{2025}} \times d_{2025}$
2026	0	0	$0.5 \times d_{2026}$
	Sum Rows × RWACC	Sum Rows × RWACC	Sum Rows × RWACC

  

For projects in Regulatory Year	Adjustment for revenue requirement in Regulatory Year				
	2027	2028	2029	2030	2031
2027	$0.5 \times d_{2027}$	$\frac{P_{2028}}{P_{2027}} \times d_{2027}$	$\frac{P_{2029}}{P_{2027}} \times d_{2027}$	$\frac{P_{2030}}{P_{2027}} \times d_{2027}$	$\frac{P_{2031}}{P_{2027}} \times d_{2027}$
2028	0	$0.5 \times d_{2028}$	$\frac{P_{2029}}{P_{2028}} \times d_{2028}$	$\frac{P_{2030}}{P_{2028}} \times d_{2028}$	$\frac{P_{2031}}{P_{2028}} \times d_{2028}$

to years in the H8 control period, adopts the same inflation index as used elsewhere in this Condition C1 and refers to the same cost of capital as CAA used to generate these initial proposals.

	2029	0	0	$0.5 \times d_{2029}$	$\frac{P_{2030}}{P_{2029}} \times d_{2029}$	$\frac{P_{2031}}{P_{2029}} \times d_{2029}$		
	2030	0	0	0	$0.5 \times d_{2030}$	$\frac{P_{2031}}{P_{2030}} \times d_{2030}$		
	2031	0	0	0	0	$0.5 \times d_{2031}$		
		Sum Rows × RWACC	Sum Rows × RWACC	Sum Rows × RWACC	Sum Rows × RWACC	Sum Rows × RWACC		
	<p>where:</p> <p>(a) <math>P_t</math> is the average value of the Office for National Statistics monthly <del>CHAW Retail Price Index-L522 Consumer Prices Index including owner occupiers' housing costs</del> over Regulatory Year t;</p> <p>(b) <math>d_t</math> is the allowed capex adjustment in Regulatory Year t as defined in Condition <del>C1.14</del>C1.9; and</p> <p>(c) RWACC is the pre-tax <del>RPI-real-CPIH-real</del> weighted average cost of capital which shall have a value of <del>4.01%</del>5.86%.</p>							
<p>Amend Condition C1.11 and renumber as C1.9</p>	<p>C1.419 For the purposes of Condition <del>C1.10</del>C1.8, the allowed capex adjustment (<math>d_t</math>) in Regulatory Year t is an amount equal to the difference between the capex allowance included in the <del>H7H8</del> settlement and the total capex associated with capex projects in Regulatory Year t, and is to be calculated as follows:</p> $d_t = IC_t - AV_t \times \frac{P_t}{P_{2018/2024}} + AddC_t \times InfAddC_t$							<p>The reasons and effect of this modification are to update the formula for calculating the allowed capex adjustment so it refers to years in the H8 control period, adopts</p>

	<p>where:</p> <p>(a) <math>IC_t</math> is the total capex incurred by the Licensee in Regulatory Year <math>t</math> in accordance with the governance arrangements;</p> <p>(b) <math>AV_t</math> is the available capex allowance in Regulatory Year <math>t</math> in <del>2018 RPI-real prices</del> <b>2024 CPIH-real prices</b>; and is given by</p> <p>(i) <del>£339.643-1,307</del> million for <del>2022</del><b>2027</b>;</p> <p>(ii) <del>£509.400-1,303</del> million for <del>2023</del><b>2028</b>;</p> <p>(iii) <del>£625.871-1,329</del> million for <del>2024</del><b>2029</b>;</p> <p>(iv) <del>£902.086-992</del> million for <del>2025</del><b>2030</b>; and</p> <p>(v) <del>£850.509-900</del> million for <del>2026</del><b>2031</b>.</p> <p>(c) <math>P_t</math> bears the same meaning as in Condition <del>C1.10(a)</del><b>C1.8(a)</b>;</p> <p>(d) <math>P_{\del{2018}2024}</math> is the average value of the Office for National Statistics monthly <del>CHAW Retail Price Index-L522 Consumer Prices Index including owner occupiers' housing costs</del> over Regulatory Year <del>2018-2024</del> and is equal to <del>281.58-132.84</del>;</p> <p>(e) <math>AddC_t</math> is additional capex allowance for Regulatory Year <math>t</math> determined by the CAA through the Capex Adjustment Mechanism in accordance with Condition <del>C1.12</del><b>C1.10</b>. It shall have the value zero unless otherwise directed by the CAA in accordance with that condition; and</p> <p>(f) <math>InfAddC_t</math> is the inflation adjustment applicable to <math>AddC_t</math> for Regulatory Year <math>t</math> as set out in Condition <del>C1.15(b)(i)</del><b>C1.13(b)(i)</b>.</p>	<p>the same inflation index as used elsewhere in this Condition C1 and refers to the same capex forecasts as CAA used to generate these initial proposals.</p>
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<p>Amend Condition C1.12 and renumber as C1.10</p>	<p><del>C1.12</del><sup>10</sup>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 <math>AddC_t</math> in Condition <del>C1.11</del><sup>C1.9</sup>. 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:</p> <p>(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 <math>AV_t</math>. 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</p> <p>(b) over the <del>H7</del><sup>H8</sup> period, the Licensee expects to incur a cumulative capex of a value more than the <del>H7</del><sup>H8</sup> total available capex allowance, calculated in accordance with the following formula:</p> $\sum_{t=2022}^{2031} AV_t$ <p>where <math>AV_t</math> shall bear the meaning given to that term in Condition <del>C1.14</del><sup>C1.9(b)</sup>.</p>	<p>The reasons and effect of this modification are to update the process for HAL requesting an additional capex allowance so it refers the H8 control period and to years in that period.</p>
<p>Amend Condition C1.13 and renumber as C1.11</p>	<p><del>C1.13</del><sup>11</sup>Except where the CAA has given consent in writing, the Licensee may make an application under Condition <del>C1.9</del><sup>C1.10</sup> only during the following periods:</p> <p>(a) 1 February <del>2024</del><sup>2029</sup> to 31 March <del>2024</del><sup>2029</sup>; and/or</p> <p>(b) 1 February <del>2025</del><sup>2030</sup> to 31 March <del>2025</del><sup>2030</sup>.</p>	<p>The reasons and effect of this modification are to update the time windows during which HAL may request an additional capex allowance so they fall</p>

		within the H8 control period.
Amend Condition C1.14 and renumber as C1.12	<p>C1.4412 For the purposes of Condition <del>C1.12</del>C1.10, the Licensee must support any application with comprehensive evidence setting out:</p> <ul style="list-style-type: none"> <li>(a) the scope of the capex project(s) that are the subject matter of its application (the "Project(s)");</li> <li>(b) the costs that the Licensee expects to incur during the H7H8 period in relation to each Project which is the subject of its application;</li> <li>(c) the basis on which the Licensee considers that the Project(s) (individually or cumulatively) meet each of the Capex Adjustment Criteria;</li> <li>(d) evidence setting out how airlines have been consulted in relation to each Project in accordance with the governance arrangements; and</li> <li>(e) a report setting out airlines' views on the matters consulted on under Condition <del>C1.14(d)</del>C1.12(d).</li> </ul> <p>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.</p>	The reasons and effect of this modification are to update the process for HAL requesting an additional capex allowance so it refers the H8 control period.
Renumber Condition C1.15 as C1.13. C1.16 as C1.14 and C1.17 as C1.15.	[No other modifications to these conditions]	These are consequential amendments with no material effect.

Amend  
Conditions C1.18  
and C1.19 and  
renumber as  
Condition C1.16

~~C1.18~~ ~~TD0<sub>t</sub> is the Terminal drop-off charge factor that in Regulatory Year t, which adjusts the maximum revenue yield per passenger in Regulatory Year t to take account of revenue from Terminal drop-off charges in Regulatory Year t being either higher or lower than that forecast by the CAA. TD0<sub>t</sub> shall be calculated as follows:~~

~~(a) implements risk sharing; and~~

~~(b) provides protection to the Licensee from the risk that a change to legislation that substantially alters the basis upon which the CAA makes its forecasts on revenue from Terminal drop-off charges in Regulatory Year t.~~

~~C1.19 TD0<sub>t</sub> shall be calculated in accordance with Table C.5 below.~~

~~**Table C.5: Calculation of the Terminal drop-off charge**~~

<del>If <math>w_t = 0</math></del>	<del>If <math>w_t = 1</math></del>
<del><math>-0.65 \times (OTDO_t - FTDO_t)</math></del>	<del><math>-1.00 \times (OTDO_t - FTDO_t)</math></del>

~~$TD0_t = -0.65 \times (OTDO_t - FTDO_t)$~~

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~~

~~$w_t = 0$  otherwise;~~

~~(b) OTDO<sub>t</sub> is the outturn revenue collected by the Licensee from Terminal drop-off~~

The effect of this modification is to remove the provision that amends the Terminal drop-off charge factor in the event of a change in legislation. The reasons are set out in Chapter 8.

	<p>charges in Regulatory Year t; and</p> <p>(eb) <math>FTD0_t</math> is CAA's forecast of the revenue that the Licensee is expected to 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.</p>															
<p>Amend Condition C1.20 and renumber as C1.17</p>	<p>C1.2017 <math>TRS_t</math> 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.87 in <del>C1.24</del>C1.18. It shall be calculated in accordance with Table C.65 below.</p> <p><b>Table C.65: Traffic Risk Sharing Adjustment</b></p> <table border="1" data-bbox="439 762 1722 1201"> <thead> <tr> <th rowspan="2">Adjustment for outturn in</th> <th colspan="2">Regulatory Year</th> </tr> <tr> <th>2025</th> <th>2026</th> </tr> </thead> <tbody> <tr> <td>Regulatory Year 2023</td> <td><math>\frac{ARS_{2023}}{10} \times \frac{P_{2025}}{P_{2023}} \times (1 + RWACC)^2</math></td> <td><math>\frac{ARS_{2023}}{10} \times \frac{P_{2026}}{P_{2023}} \times (1 + RWACC)^3</math></td> </tr> <tr> <td>Regulatory Year 2024</td> <td>0</td> <td><math>\frac{ARS_{2024}}{10} \times \frac{P_{2026}}{P_{2024}} \times (1 + RWACC)^2</math></td> </tr> <tr> <td><math>TRS_t</math></td> <td>Sum Rows</td> <td>Sum Rows</td> </tr> </tbody> </table>	Adjustment for outturn in	Regulatory Year		2025	2026	Regulatory Year 2023	$\frac{ARS_{2023}}{10} \times \frac{P_{2025}}{P_{2023}} \times (1 + RWACC)^2$	$\frac{ARS_{2023}}{10} \times \frac{P_{2026}}{P_{2023}} \times (1 + RWACC)^3$	Regulatory Year 2024	0	$\frac{ARS_{2024}}{10} \times \frac{P_{2026}}{P_{2024}} \times (1 + RWACC)^2$	$TRS_t$	Sum Rows	Sum Rows	<p>The reasons and effect of this modification are to update the formula for calculating the traffic risk sharing adjustment so it refers to years in the H8 control period.</p>
Adjustment for outturn in	Regulatory Year															
	2025	2026														
Regulatory Year 2023	$\frac{ARS_{2023}}{10} \times \frac{P_{2025}}{P_{2023}} \times (1 + RWACC)^2$	$\frac{ARS_{2023}}{10} \times \frac{P_{2026}}{P_{2023}} \times (1 + RWACC)^3$														
Regulatory Year 2024	0	$\frac{ARS_{2024}}{10} \times \frac{P_{2026}}{P_{2024}} \times (1 + RWACC)^2$														
$TRS_t$	Sum Rows	Sum Rows														

Adjustment for outturn in	Regulatory Year		
	2029	2030	2031
Regulatory Year 2027	$\frac{ARS_{2027}}{10} \times \frac{P_{2029}}{P_{2027}} \times (1 + RWACC)^2$	$\frac{ARS_{2027}}{10} \times \frac{P_{2030}}{P_{2027}} \times (1 + RWACC)^3$	$\frac{ARS_{2027}}{10} \times \frac{P_{2031}}{P_{2027}} \times (1 + RWACC)^4$
Regulatory Year 2028	0	$\frac{ARS_{2028}}{10} \times \frac{P_{2030}}{P_{2028}} \times (1 + RWACC)^2$	$\frac{ARS_{2028}}{10} \times \frac{P_{2031}}{P_{2028}} \times (1 + RWACC)^3$
Regulatory Year 2029	0	0	$\frac{ARS_{2029}}{10} \times \frac{P_{2031}}{P_{2029}} \times (1 + RWACC)^2$
TRS <sub>t</sub>	Sum Rows	Sum Rows	Sum Rows

where:

- (a) ARS<sub>t</sub> is the annual risk share with respect to traffic outturns in Regulatory Year t, as defined in Condition ~~C1.21~~C1.18;
- (b) P<sub>t</sub> bears the same meaning as in Condition ~~C1.10(a)~~C1.8(a); and
- (c) RWACC bears the same meaning as in Condition ~~C1.10(e)~~C1.8(c).

Amend Condition C1.21 and renumber as C1.18

C1.2118 For the purposes of Condition ~~C1.20~~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.76 below:

**Table C.76: 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:

The reasons and effect of this modification are to update the formula for calculating the traffic risk sharing adjustment so it refers to years in the H8 control period, adopts the same inflation index as used elsewhere in this Condition C1 and refers to the same passenger forecasts as CAA used to generate these initial proposals.

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

$$\text{For } t = 20232027: MY_{20232027} = \text{£}31.570\text{xx.xx}$$

~~$$\text{For } t = 2024: MY_t = MY_{t-1} \times (1 + CPI_{2024} + X_{2024})$$~~

$$\text{For } t > 20242027: MY_t = MY_{t-1} \times (1 + CPI_tCPIH_t + X_t)$$

where:

1.  $CPI_tCPIH_t$  bears the same meaning as in Condition ~~C1.5(c)~~C1.4(c); and
2.  $X_t$  has the same value as in ~~Condition C1.5(d), except that in respect of Regulatory Year 2024,  $X_{2024}$  has the same value as in~~ Condition C1.4(d)

(ii)  $Q_t$  bears the same meaning as in Condition ~~C1.5(g)~~C1.4(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 ~~C1.21(a)(i)~~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.87 below.

**Table C.87: Traffic Risk Sharing Adjustment**

	Regulatory Year	Forecast number of passenger	
	<del>2023</del> 2027	<del>73,008,769</del> 85,861,364	
	20242028	78,890,705 86,727,556	
	<del>2025</del> 2029	<del>80,653,561</del> 87,680,096	
	2026	81,318,198	
Delete Conditions C1.22 and C1.23	Delete Condition C1.22 in its entirety Delete Condition C1.23 in its entirety		The reasons and effect of these modifications are to remove the calculation of the Additional correction factor and the H7 adjustment factor from the licence, as these are no longer included in the formula in Condition C1.4.
Amend Condition C1.24 and renumber as C1.19	C1. <del>24</del> 19 $K_t$ is the correction factor (whether positive or negative value) to be made in Regulatory Year t, which is calculated as follows:  $K_t = \frac{1}{Q_t} \times (R_{t-2} - Q_{t-2} \times M_{t-2}) \times \left(1 + \frac{I_{t-2}}{100}\right)^2$ where:		The reasons and effect of this modification are to update the formula for calculating the correction factor to reflect the maximum revenue yield per passenger allowed in 2026 (which is not

	<p>(a) <math>R_{t-2}</math> is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year <math>t - 2</math> expressed in pounds sterling;</p> <p>(b) <math>Q_{t-2}</math> is the number of passengers using the Airport in Regulatory Year <math>t - 2</math>;</p> <p>(c) <math>M_{t-2}</math> is the maximum revenue yield per passenger using the Airport in Regulatory Year <math>t - 2</math> expressed in pounds sterling, except that in respect of Regulatory Year <del>2022</del>2026, <math>M_{\del{2022}2026}</math> it shall bear the value £<del>30.19</del>xx.xx;</p> <p>(d) <math>I_{t-2}</math> is the appropriate interest rate for Regulatory Year <math>t - 2</math>, which is equal to:</p> <p>(iii) the specified rate plus 3% where <math>K_t</math> is positive; or</p> <p>(iv) the specified rate where <math>K_t</math> is negative.</p>	otherwise defined in this licence).
Renumber Condition C1.25 as C1.20	[No other modifications to this condition]	This is a consequential amendment with no material effect.
<b>Part C2</b>	<b>Charges for Other Services</b>	
Amend Condition C2.4	<p>C2.4 <b>If requested by the CAA to do so</b>, 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 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 following consultation with the CAA and users of Specified Facilities and shall report to the CAA and copies of that report shall be made</p>	The effect of this modification is that the requirement for HAL to arrange an independent review of its cost allocation methodology will only apply if requested by CAA. The reasons are set out in Chapter 7.

	available to users of the Specified Facilities. The Licensee may recover its costs for this review through ORC charges.	
Amend Condition C2.5	<p>C2.5 By 30 <del>September</del> <del>June</del> in each 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, 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. This obligation only applies in respect of those elements of the Specified Facilities which formed part of the Specified Facilities in the preceding Regulatory Year.</p>	The effect of this modification is to change the date by which HAL must provide details of outturn costs and revenues. The reasons are set out in Chapter 7.
Amend Condition C2.6	<p>C2.6 By <del>31 December</del> <del>30 September</del> in each Regulatory Year, the Licensee shall provide to the CAA and to users of the Specified Facilities, prior to implementing any changes to the charges for the Specified Facilities, a statement (“the pricing principles”):</p> <ul style="list-style-type: none"> <li>(a) confirming the principles it shall use for calculating the charges it levies for each Specified Facility, as set out in the governance arrangements; and</li> <li>(b) setting out 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 that the charges that the Licensee proposes to apply to the Specified Facility are derived in accordance with the pricing principles.</li> </ul>	The effect of this modification is to change the date by which HAL must provide details of its pricing principles and associated information. The reasons are set out in Chapter 7.

Delete Condition C2.8	Delete Condition C2.8 in its entirety	The effect of these modifications is to change the information that HAL must provide to explain any real increases in ORCs. The reasons are set out in Chapter 7.
Insert new Condition C2.8	<b>C2.8</b> Where, in respect of any Regulatory Year, the change in the charge for any of the Specified Facilities compared with the charge for that Specified Facility in the preceding Regulatory Year is greater than the change in the average value of the Office for National Statistics monthly L522 Consumer Prices Index including owner occupiers' housing costs between those same Regulatory Years, the Licensee shall provide to the CAA and to users of the Specified Facilities a statement. That statement shall be in a form, and to a sufficient degree of detail, to enable the CAA and users of the Specified Facilities to understand the detailed reasons for those increases, including details of the main reasons for any increase in the Licensee's own costs.	
<b>Part D2</b>	<b>Operational Resilience</b>	
Amend Condition D2.3	D2.3 The following obligations in this Condition D2 are without prejudice to the generality of Condition <del>D2.2</del> D2.1 and compliance with the following obligations shall not necessarily be treated in itself as sufficient to secure compliance with Condition <del>D2.2</del> D2.1. In fulfilling these obligations the Licensee shall at all times comply with Condition <del>D2.2</del> D2.1.	The modifications to Condition D2 are proposed to correct cross-references.
Amend Condition D2.4	D2.4 By 1 October 2014 the Licensee shall publish one or more plan(s) or other documents setting out the principles, policies and processes by which it will comply with Condition <del>D2.2</del> D2.1.	

Amend Condition D2.9	D2.9 The Licensee shall, from time to time or when so directed by the CAA, review and, if necessary and following consultation, revise any plan(s) or other documents published under Condition D2.4 so that they may better comply with Condition <del>D2.2</del> D2.1.	
Amend Condition D2.11	D2.11 The Licensee shall, so far as is reasonably practicable, coordinate and cooperate with all relevant parties at the Airport to meet the requirements of Condition <del>D2.2</del> D2.1.	
<b>Part E2</b>	<b>Financial Resilience</b>	
Amend Condition E2.5	<p>E2.5 The Licensee shall obtain and submit to the CAA with each certificate provided:</p> <ul style="list-style-type: none"> <li>(a) under Condition E2.2 <del>and Condition E2.3</del> a report prepared by its Auditors stating whether or not the Auditors are aware of any inconsistencies between, on the one hand, those certificates and the statement submitted with them and, on the other hand, any information which they obtained during their audit of the relevant year end accounts of the Licensee; <del>and</del></li> <li>(b) <del>under Condition E2.3, evidence in a form and to a level of detail approved by the CAA in writing from time to time that sets out the assurance that the Licensee has used to support that certificate. Such evidence shall be supported by a resolution of the board of directors of the Licensee confirming the accuracy of the evidence submitted and signed by a director of the Licensee.</del></li> </ul>	<p>The effect of this modification to change the requirement for supporting documentation for the certificate of Operational Resources from an Auditor's report to a more substantive document produced by HAL. The reasons are to provide an equivalent or greater level of assurance compared with the current requirement, but without the need for HAL's Auditors to make an assessment of the</p>

			adequacy of non-financial resources as HAL is no longer able to obtain the relevant material from its auditors.											
<b>Schedule 1</b>	<b>Statement of Measures, Targets and Incentives</b>													
Amend paragraph 3.3	<p>3.3 The Licensee shall use the results of the Quality of Service Monitor (QSM) survey – moving annual average score to provide the basis for its performance for the following measures:</p> <table border="1"> <tr> <td>F1</td> <td>Cleanliness</td> <td>F3</td> <td>Helpfulness/attitude of security staff</td> </tr> <tr> <td>F2</td> <td>Wayfinding</td> <td>F4</td> <td>Wi-Fi performance</td> </tr> <tr> <td>R1</td> <td>Overall satisfaction</td> <td>R76</td> <td>Helpfulness/attitude of airport staff</td> </tr> </table>	F1	Cleanliness	F3	Helpfulness/attitude of security staff	F2	Wayfinding	F4	Wi-Fi performance	R1	Overall satisfaction	R76	Helpfulness/attitude of airport staff	The effects of the modifications to Schedule 1 are to implement the changes to the MTI scheme set out in Chapter 3. The reasons for these changes are also set out in Chapter 1.
F1	Cleanliness	F3	Helpfulness/attitude of security staff											
F2	Wayfinding	F4	Wi-Fi performance											
R1	Overall satisfaction	R76	Helpfulness/attitude of airport staff											
Amend paragraph 3.5	<p>3.5 The Licensee shall use the results of the Quality of Service Monitor (QSM) survey – moving annual average percentage of favourable responses to provide the basis for its performance for the following measures:</p> <table border="1"> <tr> <td>R2</td> <td>Customer effort (ease)</td> <td>R4</td> <td><del>Airport that meets my needs</del></td> </tr> <tr> <td>R3</td> <td>Enjoy my time at the airport</td> <td>R54</td> <td>Feel safe and secure</td> </tr> </table>	R2	Customer effort (ease)	R4	<del>Airport that meets my needs</del>	R3	Enjoy my time at the airport	R54	Feel safe and secure					
R2	Customer effort (ease)	R4	<del>Airport that meets my needs</del>											
R3	Enjoy my time at the airport	R54	Feel safe and secure											
Amend paragraph 3.7	<p>3.7 The Licensee shall use the results of the SACS survey as specified in Annex 2 to this Schedule to provide the basis for its performance for Measure R65 Ease of access to the airport.</p>													

<p>Amend paragraph 3.8</p>	<p>3.8 The Licensee shall measure performance using, for the latest available quarter, moving annual average score weighted by the moving annual average number of direct departing passengers arriving at the Airport by surface transport, using the following formulae:</p> <p>(a) where the Licensee has conducted the SACS survey for a period of four quarters or more, the Licensee shall calculate performance in quarter <math>q</math> as follows:</p> $\text{Performance}_r = \frac{\sum_{q=1}^{q=4} [\pi_{r-q+1} \times \text{Quarterly survey results}_{r-q+1}]}{\sum_{q=1}^{q=4} \pi_{r-q+1}}$ <p>(b) where the Licensee has conducted the SACS survey for a period of less than four quarters, the Licensee shall calculate performance in quarter <math>q</math> as follows:</p> $\text{Performance}_r = \frac{\sum_{q=1}^{q=\alpha} [\pi_{r-q+1} \times \text{Quarterly survey results}_{r-q+1}]}{\sum_{q=1}^{q=\alpha} \pi_{r-q+1}}$ <p>where:</p> <p>(i) <math>\pi_r</math> is the number of direct departing passengers arriving at the Airport by surface transport in quarter <math>r</math>;</p> <p>(ii) Quarterly survey results<math>_r</math> is the performance of measure R65 in quarter <math>r</math>;</p> <p>(iii) <math>q</math> is a counter of the four quarters ending in quarter <math>r</math>; and</p> <p>(iv) <math>\alpha</math> is a counter of quarters so that:</p> <ol style="list-style-type: none"> <li>1. the quarter in which SACS surveys start = 1;</li> </ol>	
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	<ol style="list-style-type: none"> <li>2. the quarter after SACS surveys start = 2;</li> <li>3. the second quarter after SACS surveys start = 3; and</li> <li>4. the third quarter after SACS surveys start = 4.</li> </ol>	
Amend paragraph 3.9	<p>3.9 The Licensee shall use the results of the SpA QSM survey as specified in Annex 2 to this Schedule to provide the basis for its performance for Measure <b>R8 F21</b> Passengers with reduced mobility (PRM) – overall satisfaction.</p>	
Amend paragraph 3.10	<p>3.10 The Licensee shall measure performance using, for the latest available month, moving annual average score weighted by the moving annual average number of passengers using the Special Assistance Service, using the following formulae:</p> <p>(a) where the Licensee has conducted the SpA QSM survey for a period of 12 months or more, the Licensee shall calculate performance in month j as follows:</p> $\text{Performance}_j = \frac{\sum_{m=1}^{m=12} [\pi_{j-m+1} \times \text{Monthly survey results}_{j-m+1}]}{\sum_{m=1}^{m=12} \pi_{j-m+1}}$ <p>(b) where the Licensee has conducted the SpA QSM survey for a period of less than 12 months, the Licensee shall calculate performance in month j as follows:</p> $\text{Performance}_j = \frac{\sum_{m=1}^{m=\mu} [\pi_{j-m+1} \times \text{Monthly survey results}_{j-m+1}]}{\sum_{m=1}^{m=\mu} \pi_{j-m+1}}$ <p>where:</p>	

	<ul style="list-style-type: none"> <li>(i) <math>\pi_j</math> is the number of passengers using the service for passengers with reduced mobility per terminal in month <math>j</math>;</li> <li>(ii) Monthly survey results<math>_{i,j}</math> is the performance of measure <b>R8 F21</b> in month <math>j</math>;</li> <li>(iii) <math>m</math> is a counter of the 12 months ending in month <math>j</math>; and</li> <li>(iv) <math>\mu</math> is a counter of months so that:             <ul style="list-style-type: none"> <li>1. the first full month in which SpA QSM surveys are carried out = 1;</li> <li>2. the second full month in which SpA QSM surveys are carried out = 2, and each subsequent month shall be identified accordingly; and</li> <li>3. the twelfth month in which SpA QSM surveys are carried out = 12.</li> </ul> </li> </ul>							
<p>Amend paragraph 3.15</p>	<p>3.15 The Licensee shall use the queuing times metrics to determine its reporting of performance against targets for the following measures subject to reputational incentives:</p> <table border="1" data-bbox="443 991 1720 1310"> <thead> <tr> <th colspan="2" data-bbox="443 991 1720 1062">Passengers (immigration)</th> </tr> </thead> <tbody> <tr> <td data-bbox="443 1062 566 1206">R162a</td> <td data-bbox="566 1062 1720 1206">Immigration queue times for non-EEA passengers using staffed gates (percentage of queuing times measured once every 15 minutes that are less than 45 minutes)</td> </tr> <tr> <td data-bbox="443 1206 566 1310">R162b</td> <td data-bbox="566 1206 1720 1310">Immigration queue times for EEA passengers using staffed gates (percentage of queuing times measured once every 15 minutes are less than 25 minutes)</td> </tr> </tbody> </table>	Passengers (immigration)		R162a	Immigration queue times for non-EEA passengers using staffed gates (percentage of queuing times measured once every 15 minutes that are less than 45 minutes)	R162b	Immigration queue times for EEA passengers using staffed gates (percentage of queuing times measured once every 15 minutes are less than 25 minutes)	
Passengers (immigration)								
R162a	Immigration queue times for non-EEA passengers using staffed gates (percentage of queuing times measured once every 15 minutes that are less than 45 minutes)							
R162b	Immigration queue times for EEA passengers using staffed gates (percentage of queuing times measured once every 15 minutes are less than 25 minutes)							

<p>Amend paragraph 3.29</p>	<p>3.29 The Licensee shall use the metrics set out in paragraphs 3.31 to 3.33 to measure its performance against targets for the following measures subject to financial incentives:</p> <table border="1" data-bbox="443 308 1720 802"> <tr> <th colspan="2" data-bbox="443 308 1720 379">Financially incentivised measures in the other metrics group</th> </tr> <tr> <td data-bbox="443 379 555 451">F18</td> <td data-bbox="555 379 1720 451">Pier-served stand usage</td> </tr> <tr> <td data-bbox="443 451 555 523">F19</td> <td data-bbox="555 451 1720 523">Runway operational resilience</td> </tr> <tr> <td data-bbox="443 523 555 627">F20a</td> <td data-bbox="555 523 1720 627"><del>Hygiene safety testing (percentage of Amber ATP test results resolved within 12 hours each month)</del></td> </tr> <tr> <td data-bbox="443 627 555 730">F20b</td> <td data-bbox="555 627 1720 730"><del>Hygiene safety testing (percentage of Red ATP test results resolved within 2 hours each month)</del></td> </tr> <tr> <td data-bbox="443 730 555 802">F20</td> <td data-bbox="555 730 1720 802">Timely delivery from departures baggage system</td> </tr> </table>	Financially incentivised measures in the other metrics group		F18	Pier-served stand usage	F19	Runway operational resilience	F20a	<del>Hygiene safety testing (percentage of Amber ATP test results resolved within 12 hours each month)</del>	F20b	<del>Hygiene safety testing (percentage of Red ATP test results resolved within 2 hours each month)</del>	F20	Timely delivery from departures baggage system	
Financially incentivised measures in the other metrics group														
F18	Pier-served stand usage													
F19	Runway operational resilience													
F20a	<del>Hygiene safety testing (percentage of Amber ATP test results resolved within 12 hours each month)</del>													
F20b	<del>Hygiene safety testing (percentage of Red ATP test results resolved within 2 hours each month)</del>													
F20	Timely delivery from departures baggage system													
<p>Amend paragraph 3.30</p>	<p>3.30 The Licensee shall use the metrics set out in paragraphs 3.34 to 3.4139 to measure performance for the following measures subject to reputational incentives:</p> <table border="1" data-bbox="443 959 1720 1378"> <tr> <th colspan="2" data-bbox="443 959 1720 1031">Reputationally incentivised measures in the other metrics group</th> </tr> <tr> <td data-bbox="443 1031 555 1102"><del>R9</del></td> <td data-bbox="555 1031 1720 1102"><del>Timely delivery from departures baggage system</del></td> </tr> <tr> <td data-bbox="443 1102 555 1174">R107</td> <td data-bbox="555 1102 1720 1174">Baggage misconnect rate</td> </tr> <tr> <td data-bbox="443 1174 555 1246">R118</td> <td data-bbox="555 1174 1720 1246">Departures flight punctuality</td> </tr> <tr> <td data-bbox="443 1246 555 1318">R129</td> <td data-bbox="555 1246 1720 1318">Airport departures management</td> </tr> <tr> <td data-bbox="443 1318 555 1378">R130</td> <td data-bbox="555 1318 1720 1378">Airport arrivals management</td> </tr> </table>	Reputationally incentivised measures in the other metrics group		<del>R9</del>	<del>Timely delivery from departures baggage system</del>	R107	Baggage misconnect rate	R118	Departures flight punctuality	R129	Airport departures management	R130	Airport arrivals management	
Reputationally incentivised measures in the other metrics group														
<del>R9</del>	<del>Timely delivery from departures baggage system</del>													
R107	Baggage misconnect rate													
R118	Departures flight punctuality													
R129	Airport departures management													
R130	Airport arrivals management													

	<table border="1"> <tr> <td>R14</td> <td><del>% of UK population within 3 hours (and one interchange) of Heathrow by public transport</del></td> </tr> <tr> <td>R151</td> <td>Passenger injuries</td> </tr> <tr> <td>R173</td> <td>Carbon emissions</td> </tr> </table>	R14	<del>% of UK population within 3 hours (and one interchange) of Heathrow by public transport</del>	R151	Passenger injuries	R173	Carbon emissions		
R14	<del>% of UK population within 3 hours (and one interchange) of Heathrow by public transport</del>								
R151	Passenger injuries								
R173	Carbon emissions								
Delete paragraph 3.33	Delete paragraph 3.33 in its entirety								
Amend paragraph 3.34 and renumber as 3.33	<p><del>R9</del> <b>F20</b> Timely delivery from departures baggage system</p> <p>3.343 The Licensee shall collect data for timely delivery from the departure baggage system from its operational systems. The Licensee shall calculate performance for measure <del>R9</del> <b>F20</b> in Table 41 in month j in terminal a by recording the percentage of bags delivered from the baggage system to the baggage make up area (or facility) not less than <del>320</del> minutes before the scheduled time of departure of their intended flight.</p>								
Amend paragraph 3.35 and renumber as 3.34	<p><del>R407</del> <b>Baggage misconnect rate</b></p> <p>3.354 The Licensee shall collect data for the baggage misconnect rate from its operational systems to calculate performance for measure <del>R407</del> in Table 5. For a bag to qualify as having missed its intended departing flight, it must meet the following criteria via algorithm: (a) the Licensee must receive a subsequent scan from the baggage system that indicates the bag is still present in the Airport after the flight has departed, (b) the Outbound Passenger ('OB pax') status equals 'Boarded' or 'Checked-In', and (c) aircraft status equals 'Airborne'.</p>								
Amend paragraph 3.36	<del>R418</del> <b>Departures flight punctuality</b>								

<p>and renumber as 3.35</p>	<p><b>3.365</b> The Licensee shall collect data for departures flight punctuality from its operational systems to calculate performance for measure R418 in Table 5. The Licensee shall calculate performance for this measure for each month by recording the proportion of scheduled passenger flights whose actual time of operation is less than or equal to their scheduled time of operation plus 15 minutes, where the actual and scheduled times of operation are measured as chocks on/off.</p>	
<p>Amend paragraph 3.37 and renumber as 3.36</p>	<p><b>R129</b> <b>Airport departures management</b></p> <p><b>3.376</b> The Licensee shall collect data for airport departures management from its operational systems for measure R129 in Table 5. For each month, the Licensee shall record the average time taken (across all departing passenger flights) between the Actual Start Request Time and the Actual Take-Off Time of an aircraft, and calculate performance in accordance with the following formula:</p> $\text{Performance}_j = \frac{\text{ActualStartRequestTime}_j - \text{ActualTakeOffTime}_j}{\text{DepartingPaxFlights}_j}$ <p>where:</p> <ul style="list-style-type: none"> <li>(a) ActualStartRequestTime<sub>j</sub> is the Actual Start Request Time in month j;</li> <li>(b) ActualTakeOffTime<sub>j</sub> is the Actual Take-Off Time in month j; and</li> <li>(c) DepartingPaxFlights<sub>j</sub> is the total number of passenger flights departing Heathrow Airport in month j.</li> </ul>	
<p>Amend paragraph 3.38</p>	<p><b>R130</b> <b>Airport arrivals management</b></p>	

and renumber as 3.37	<p><b>3.387</b> The Licensee shall collect data for airport arrivals management from its operational systems for Measure R130 in Table 5. For each month, the Licensee shall record the average time taken (across all arriving passenger flights) between the wheels of an aircraft touching down on a runway and roll-retarding chocks being placed against the aircraft wheels, after the aircraft's brakes have been applied on stands, and calculate performance in accordance with the following formula:</p>	
Delete paragraph 3.39	Delete paragraph 3.39 in its entirety	
Amend paragraph 3.40 and renumber as 3.38	<p><b>R151 Passenger injuries</b></p> <p><b>3.4038</b> The Licensee shall collect data for passenger injuries for Measure R151 in Table 5. The Licensee shall calculate performance in month j in accordance with the following formula:</p> $\text{Performance}_j = \frac{\sum_{m=1}^{m=12} \text{InjuredPax}_{j-m+1}}{\sum_{m=1}^{m=12} \pi_{j-m+1} \times \frac{1}{1,000,000}}$ <p>where:</p> <ul style="list-style-type: none"> <li>(a) InjuredPax<sub>j</sub> is the number of passenger injuries reported to HAL's operational systems (excluding ill health) in month j;</li> <li>(b) π<sub>j,a</sub> is the number of passengers in the Airport in month j; and</li> <li>(c) m is a counter of the 12 months ending in month j.</li> </ul>	

<p>Amend paragraph 3.41 and renumber as 3.39</p>	<p><b>R173</b> Carbon emissions</p> <p>3.41<del>39</del> The Licensee shall collect data for <b>R173</b> Carbon emissions in Table 5 and calculate performance in accordance with the following formula:</p> $\text{Performance}_t = \text{TotalCarbonEmissions1}_t + \text{TotalCarbonEmissions2}_t + \text{TotalCarbonEmissions3}_t$ <p>where:</p> <ul style="list-style-type: none"> <li>(a) TotalCarbonEmissions1<sub>t</sub> is the Total Carbon Emissions (Scope 1) in Regulatory Year t as Tonnes CO<sub>2</sub> equivalent per year;</li> <li>(b) TotalCarbonEmissions2<sub>t</sub> is the Total Carbon Emissions (Scope 2) in Regulatory Year t as Tonnes CO<sub>2</sub> equivalent per year; and</li> <li>(c) TotalCarbonEmissions3<sub>t</sub> is the Total Carbon Emissions (Scope 3) in Regulatory Year t as Tonnes CO<sub>2</sub> equivalent per year.</li> </ul>									
<p>Amend paragraph 4.6</p>	<p>4.6 Paragraphs 4.4 and 4.5 apply to the following measures:</p> <table border="1" data-bbox="443 1053 1720 1369"> <tr> <th colspan="2">Airport-wide measures reported monthly</th> </tr> <tr> <td>F8</td> <td>Control posts vehicle queue times</td> </tr> <tr> <td>F19</td> <td>Runway operational resilience</td> </tr> <tr> <td><b>R8</b> <b>F21</b></td> <td>Passengers with reduced mobility (PRM) – overall satisfaction</td> </tr> </table>	Airport-wide measures reported monthly		F8	Control posts vehicle queue times	F19	Runway operational resilience	<b>R8</b> <b>F21</b>	Passengers with reduced mobility (PRM) – overall satisfaction	
Airport-wide measures reported monthly										
F8	Control posts vehicle queue times									
F19	Runway operational resilience									
<b>R8</b> <b>F21</b>	Passengers with reduced mobility (PRM) – overall satisfaction									

	R118	Departures flight punctuality	
Amend paragraph 4.9	4.9	Paragraph 4.8 applies to measure R65 (ease of access to the Airport).	
Amend paragraph 5.3	5.3	<p>The Licensee shall allocate rebates to each Relevant Party in each month on the following basis:</p> <p>(a) rebates relating to measures F8 (Control post vehicle queuing times), <del>and</del> F19 (Runway operational resilience) <b>and F21 (Passengers with reduced mobility (PRM) – overall satisfaction)</b> for each month shall be allocated to the Relevant Parties <i>pro rata</i> with the Airport Charges incurred for air transport services for the carriage of passengers in that month; and</p> <p>(b) all other rebates shall be calculated separately for each terminal and for each month and shall be allocated to the Relevant Parties <i>pro rata</i> with the Airport Charges incurred for those air transport services for the carriage of passengers that used the terminal in that month.</p>	
Amend paragraph 5.6	5.6	<p>The Licensee shall calculate the rebates that it pays to Relevant Parties under this section 5 of this Schedule in accordance with the following formula:</p> $\text{Rebate}_{\text{Total},t} = \sum_{a=2}^{a=5} (\text{Rebate}_{\text{Terminal},t,a} \times R_{t,a}) + \text{Rebate}_{\text{CPAirport},t} \times R_t + \text{Rebate}_{\text{ROR},t} \times R_t$ <p>where:</p>	

	<p>(a) <math>\text{Rebate}_{\text{Total},t}</math> is the total aggregate rebate payable for Regulatory Year t;</p> <p>(b) <math>\text{Rebate}_{\text{Terminal},t,a}</math> is the aggregate percentage rebate in Regulatory Year t in terminal a for measures F1-F7, F9-F18 and F20;</p> <p>(c) <math>\text{Rebate}_{\text{epAirport},t}</math> is the aggregate percentage rebate in Regulatory Year t for measures F8 (<del>Control posts vehicle queuing time</del>) and F21; and</p> <p>(d) <math>\text{Rebate}_{\text{ROR},t}</math> is the aggregate percentage rebate in Regulatory Year t for measure F19 (Runway operational resilience);</p> <p>(e) <math>R_{t,a}</math> is the total revenue from Airport Charges in respect of air transport services for the carriage of passengers levied in terminal a in Regulatory Year t; and</p> <p>(f) <math>R_t</math> is the total revenue from Airport Charges in respect of air transport services for the carriage of passengers levied at the Airport in Regulatory Year t.</p>	
<p>Amend paragraph 5.7</p>	<p>5.7 The Licensee shall calculate <math>\text{Rebate}_{\text{Terminal},t}</math> separately for each terminal in respect of its performance at each individual terminal against the targets set out for that terminal in accordance with the following formula:</p> $\text{Rebate}_{\text{Terminal},t} = \sum_{j=\text{January}}^{\text{December}} \sum_i \text{Min}(R_{i,j\text{RY}} \times x_{i,j,a}, \text{ANNMAX}_i)$ <p>where:</p> <p>(a) <math>\text{ANNMAX}_i</math> is the maximum percentage of Airport Charges (relating to air transport services for the carriage of passengers) payable by the Licensee as rebates for any</p>	

	<p>service failure in measure <math>i</math> in Regulatory Year <math>t</math> as specified in Table 1 of this Schedule;</p> <p>(b) <math>R_{i,j}RY</math> is a proportion of <math>ANNMAX_i</math> for any service failure in measure <math>i</math> in month <math>j</math> for any relevant Regulatory Year. During any Regulatory Year, the Licensee shall pay a percentage rebate of <math>R_{i,j}RY</math> for the first six service failures of measure <math>i</math> in Regulatory Year <math>t</math> as specified in Table 1 of this Schedule; <b>and</b></p> <p>(c) <math>x_{i,j,a} = 0</math> if <math>Target_{i,j,a}</math> for measure <math>i</math> in month <math>j</math> in terminal <math>a</math> is met as defined in paragraph <b>Error! Reference source not found.</b>; or</p> <p style="padding-left: 40px;"><math>= 1</math> otherwise.; <b>and</b></p> <p><del>(d) <math>ANNMAX_i</math> is the maximum percentage of Airport Charges (relating to air transport services for the carriage of passengers) payable by the Licensee as rebates for any service failure in measure <math>i</math> in Regulatory Year <math>t</math> as specified in Table 1 of this Schedule;</del></p> <p><del>(e) <math>R_{i,j}RY</math> is a proportion of <math>ANNMAX_i</math> for any service failure in measure <math>i</math> in month <math>j</math> for any relevant Regulatory Year. During any Regulatory Year, the Licensee shall pay a percentage rebate of <math>R_{i,j}RY</math> for the first six service failures of measure <math>i</math> in Regulatory Year <math>t</math> as specified in Table 1 of this Schedule; and</del></p> <p><del>(f) <math>x_{i,j,a} = 0</math> if <math>Target_{i,j,a}</math> for measure <math>i</math> in month <math>j</math> in terminal <math>a</math> is met as defined in paragraph <b>Error! Reference source not found.</b>; or</del></p> <p style="padding-left: 40px;"><del><math>= 1</math> otherwise.</del></p> <p>(gd) <math>i = F1</math> to <math>F7</math>, <math>F9</math> to <math>F18</math>, <math>F20</math> as specified in Table 1 of this Schedule.</p>	
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<p>Amend paragraph 5.8</p>	<p><b>Rebate<sub>CPAirport,t</sub></b></p> <p>5.8 The Licensee shall calculate Rebate<sub>CPAirport,t</sub> across the whole Airport based on <del>the its</del> performance <del>of F8 (Control post vehicle queuing time, relevant to each individual control post group)</del> against the targets set out for <del>control posts</del> the Airport in accordance with the formula in paragraph 5.9.</p>	
<p>Amend paragraph 5.9</p>	<p>5.9 The Licensee shall aggregate Rebate<sub>CPAirport,t</sub> across all months for Regulatory Year t and shall calculate it as follows:</p> $\text{Rebate}_{\text{CPAirport},t} = \sum_{j=\text{January}}^{j=\text{December}} \sum_i \text{Min}(R_{\text{CPI},j\text{RY}} \times x_{\text{CPI},j}, \text{ANNMAX}_{\text{CPI}})$ <p>where:</p> <ul style="list-style-type: none"> <li>(a) ANNMAX<sub>CPI</sub> is the maximum percentage of Airport Charges (relating to air transport services for the carriage of passengers) payable by the Licensee as rebates for any service failure in <del>control posts measure i</del> in Regulatory Year t as specified in Table 2 of this Schedule;</li> <li>(b) R<sub>CPI,jRY</sub> is a proportion of ANNMAX<sub>CPI</sub> for any service failure <del>in measure i</del> in month j for any relevant Regulatory Year. During any Regulatory Year, the Licensee shall pay a percentage rebate of R<sub>CPI,jRY</sub> for the first six service failures <del>of measure i</del> in Regulatory Year t as specified in Table 2 of this Schedule; <del>and</del></li> </ul>	

	<p>(c) <math>x_{CPI,j} = 0</math> if Target<sub>CPI,j</sub> for measure i in month j is met as defined in paragraph <b>Error! Reference source not found.</b>; or</p> <p style="padding-left: 40px;"><math>= 1</math> otherwise; and</p> <p>(d) i = F8, F21 as specified in Table 2 of this Schedule.</p>	
<p>Amend paragraph 5.13</p>	<p>5.13 For <math>(\text{Rebate}_{ARR,t} + \text{Rebate}_{DEP,t})</math> incurred in the relevant Regulatory Year t, the amount payable shall be inflated to outturn prices by the formula:</p> $(\text{Rebate}_{ARR,t} + \text{Rebate}_{DEP,t}) = (\text{Rebate}_{ARR,20202024} + \text{Rebate}_{DEP,20202024}) \times \frac{CPIHIndex_t}{CPIHIndex_{20202024}}$ <p>where:</p> <p>(a) <math>\text{Rebate}_{ROR,20202024}</math> in 20202024 prices as listed in Table 3 of this Schedule;</p> <p>(b) <math>CPIHIndex_t</math> is the average value of the Office for National Statistics monthly <del>D7BT</del> L522 Consumer Price Index including owner occupiers' housing costs over Regulatory Year t; and</p> <p>(c) <math>CPIHIndex_{20202024}</math> is the average value of the Office for National Statistics monthly <del>D7BT</del> L522 Consumer Price Index including owner occupiers' housing costs over Regulatory Year 20202024.</p>	
<p>Delete paragraphs 6.2 to 6.9</p>	<p>Delete paragraph 6.2 in its entirety</p> <p>Delete paragraph 6.3 in its entirety</p> <p>Delete paragraph 6.4 in its entirety</p>	

	<p>Delete paragraph 6.5 in its entirety</p> <p>Delete paragraph 6.6 in its entirety</p> <p>Delete paragraph 6.7 in its entirety</p> <p>Delete paragraph 6.8 in its entirety</p> <p>Delete paragraph 6.9 in its entirety</p>	
<p>Amend paragraph 6.10 and renumber as 6.2</p>	<p><b>Calculation (<del>from May 2023 onwards</del>)</b></p> <p>6.102 <math>B_t</math> is the bonus factor specified in Condition C1, and is based on the Licensee's performance for the bonus measures in the relevant Regulatory Year <math>t</math> set out in Table 6b of this Schedule.</p>	
<p>Renumber paragraphs 6.11 as 6.3, and 6.14 as 6.6</p>	<p>[No other modifications to these conditions]</p>	
<p>Amend paragraph 6.12 and renumber as 6.4</p>	<p>6.124 <math>B_t</math> shall be calculated as follows:</p> $B_t = \sum_{j=\text{January}}^{j=\text{December}} \sum_{\text{bm}} \text{Max} \left[ 0, \text{Min} \left[ \text{BNS}(\text{T2})_{\text{bm},j}, \text{BNS}(\text{T3})_{\text{bm},j}, \text{BNS}(\text{T4})_{\text{bm},j}, \text{BNS}(\text{T5})_{\text{bm},j} \right] \right] +$	

	<p style="color: red;"> <math display="block">\sum_{j=\text{January}}^{j=\text{December}} \text{Max} \left[ 0, \text{Min} \left[ \text{BNS}(\text{CTA})_j, \text{BNS}(\text{Cargo})_j, \text{BNS}(\text{Eastside})_j, \text{BNS}(\text{Southside})_j, \text{BNS}(\text{Terminal 5})_j \right] \right]</math> </p> <p>where:</p> <ul style="list-style-type: none"> <li>(a) <math>B_t</math> is the total aggregate percentage bonus rebate payable for Regulatory Year <math>t</math>; <b>and</b></li> <li>(b) <math>\text{BNS}(\text{T2})_{\text{bm},j}</math>, <math>\text{BNS}(\text{T3})_{\text{bm},j}</math>, <math>\text{BNS}(\text{T4})_{\text{bm},j}</math>, <math>\text{BNS}(\text{T5})_{\text{bm},j}</math> are the amounts of bonuses earned as a percentage of Airport Charges in month <math>j</math> based on the Licensee's performance of bonus measure <math>\text{bm}</math> in Terminal 2, Terminal 3, Terminal 4 and Terminal 5. These bonuses shall be calculated using the formulae set out in paragraphs 6.435 and 6.446; <b>and</b></li> <li>(c) <math>\text{BNS}(\text{CTA})_j</math>, <math>\text{BNS}(\text{Cargo})_j</math>, <math>\text{BNS}(\text{Eastside})_j</math>, <math>\text{BNS}(\text{Southside})_j</math> and <math>\text{BNS}(\text{Terminal 5})_j</math> are the amounts of bonuses earned as a percentage of Airport Charges in month <math>j</math> based on the Licensee's performance of bonus measure F8 for the CTA, Cargo, Eastside, Southside and Terminal 5 control post groups. These bonuses shall be calculated using the formulae set out in paragraphs 6.7.</li> </ul>	
<p>Amend paragraph 6.13 and renumber as 6.5</p>	<p>6.435 For each month <math>j</math> and bonus measures <math>\text{bm} = \text{F1}</math> (Cleanliness), <math>\text{F2}</math> (Wayfinding), <del>or</del> <math>\text{F6}</math> (Security queue time – Transfer Search) <b>or</b> <math>\text{F7}</math> (Security queue time – Staff search):</p> $\text{BNS}(\text{T2})_{\text{bm},j} = \frac{1}{12} \times \text{MB}_{\text{bm}} \times \frac{\text{Min}[\text{UBT}_{\text{bm}}, \text{MP}(\text{T2})_{\text{bm}}] - \text{LBT}_{\text{bm}}}{\text{UBT}_{\text{bm}} - \text{LBT}_{\text{bm}}}$	

$$\text{BNS(T3)}_{\text{bmj}} = \frac{1}{12} \times \text{MB}_{\text{bm}} \times \frac{\text{Min}[\text{UBT}_{\text{bm}}, \text{MP(T3)}_{\text{bmj}}] - \text{LBT}_{\text{bm}}}{\text{UBT}_{\text{bm}} - \text{LBT}_{\text{bm}}}$$

$$\text{BNS(T4)}_{\text{bmj}} = \frac{1}{12} \times \text{MB}_{\text{bm}} \times \frac{\text{Min}[\text{UBT}_{\text{bm}}, \text{MP(T4)}_{\text{bmj}}] - \text{LBT}_{\text{bm}}}{\text{UBT}_{\text{bm}} - \text{LBT}_{\text{bm}}}$$

$$\text{BNS(T5)}_{\text{bmj}} = \frac{1}{12} \times \text{MB}_{\text{bm}} \times \frac{\text{Min}[\text{UBT}_{\text{bm}}, \text{MP(T5)}_{\text{bmj}}] - \text{LBT}_{\text{bm}}}{\text{UBT}_{\text{bm}} - \text{LBT}_{\text{bm}}}$$

where:

- (a)  $\text{MB}_{\text{bm}}$  is the maximum percentage of Airport Charges recoverable by the Licensee as bonuses for its performance for specified bonus measure  $\text{bm}$  in the relevant Regulatory Year as specified in Table 6b of this Schedule;
- (b)  $\text{UBT}_{\text{bm}}$  is the upper bonus threshold for bonus measure  $\text{bm}$  used in the calculation of bonuses. It has the values assigned to it in Table 6b of this Schedule;
- (c)  $\text{LBT}_{\text{bm}}$  is the lower bonus threshold for bonus measure  $\text{bm}$  used in the calculation of bonuses. It has the values assigned to it in Table 6b of this Schedule;
- (d)  $\text{MP(T2)}_{\text{bm,j}}$ ,  $\text{MP(T3)}_{\text{bm,j}}$ ,  $\text{MP(T4)}_{\text{bm,j}}$  and  $\text{MP(T5)}_{\text{bm,j}}$  are the performance for bonus measures  $\text{bm}$  in month  $j$  for Terminal 2, Terminal 3, Terminal 4 and Terminal 5, respectively:
  - (i) for bonus measure  $\text{bm} = \text{F1 Cleanliness or F2 Wayfinding}$ , the Licensee shall measure its performance using the formulae set out in paragraph 3.4 of this Schedule; and
  - (ii) for bonus measure  $\text{bm} = \text{F5a6 (Security queue time – Transfer Search) or F7 (Security queue time – Staff search)}$ , the Licensee shall measure its

	<p>performance using the approach set out in paragraphs 3.16 to 3.18 of this Schedule.</p>	
<p>Insert new paragraph 6.7</p>	<p>6.7 For each month j and bonus measure F8 (Control posts vehicle queuing time):</p> $BNS(CTA)_j = \frac{1}{12} \times MB_{CP} \times \frac{\text{Min}[UBT_{CP}, MP(CTA)_{CP,j}] - LBT_{CP}}{UBT_{CP} - LBT_{CP}}$ $BNS(Cargo)_j = \frac{1}{12} \times MB_{CP} \times \frac{\text{Min}[UBT_{CP}, MP(Cargo)_{CP,j}] - LBT_{CP}}{UBT_{CP} - LBT_{CP}}$ $BNS(Eastside)_j = \frac{1}{12} \times MB_{CP} \times \frac{\text{Min}[UBT_{CP}, MP(Eastside)_{CP,j}] - LBT_{CP}}{UBT_{CP} - LBT_{CP}}$ $BNS(Southside)_j = \frac{1}{12} \times MB_{CP} \times \frac{\text{Min}[UBT_{CP}, MP(Southside)_{CP,j}] - LBT_{CP}}{UBT_{CP} - LBT_{CP}}$ $BNS(Terminal 5)_j = \frac{1}{12} \times MB_{CP} \times \frac{\text{Min}[UBT_{CP}, MP(Terminal 5)_{CP,j}] - LBT_{CP}}{UBT_{CP} - LBT_{CP}}$ <p>where:</p> <p>(a) <math>MB_{CP}</math> is the maximum percentage of Airport Charges recoverable by the Licensee as bonuses for its performance for specified bonus measure F8 in the relevant Regulatory Year as specified in Table 6 of this Schedule;</p> <p>(b) <math>UBT_{CP}</math> is the upper bonus threshold for bonus measure F8 used in the calculation of bonuses. It has the values assigned to it in Table 6 of this Schedule;</p>	

	<p>(c) <math>LBT_{CP}</math> is the lower bonus threshold for bonus measure F8 used in the calculation of bonuses. It has the values assigned to it in Table 6 of this Schedule;</p> <p>(d) <math>MP(CTA)_{CP,j}</math>, <math>MP(Cargo)_{CP,j}</math>, <math>MP(Eastside)_{CP,j}</math>, <math>MP(Southside)_{CP,j}</math> and <math>MP(Terminal\ 5)_{CP,j}</math> are the performance for bonus measure F8 in month j for the CTA, Cargo, Eastside, Southside and Terminal 5 control post groups respectively. The Licensee shall measure its performance using the approach set out in paragraphs 3.20 and 3.21 of this Schedule.</p>	
<p>Amend paragraph 7.2</p>	<p>7.2 The Licensee shall publish in each terminal at the Airport:</p> <p>(a) on a monthly basis within four weeks of the end of the relevant month, performance against targets for each terminal (for “terminal measures”) and for the Airport (for “airport-wide measures”) with respect to the following measures and as specified in Table 8.</p> <ul style="list-style-type: none"> <li>(i) F1 Cleanliness;</li> <li>(ii) F2 Wayfinding;</li> <li>(iii) F3 Helpfulness/attitude of security staff;</li> <li>(iv) F4 Wi-fi performance;</li> <li>(v) F5a &amp; F5b Security queue time – Central search;</li> <li>(vi) F6 Security queue time – Transfer search;</li> <li>(vii) <del>F20a &amp; F20b</del> <span style="color: red;">Hygiene safety testing</span> Timely delivery from departures baggage system;</li> </ul>	

	<p>(viii) F21 Passengers with reduced mobility (PRM) – overall satisfaction;</p> <p>(viii) R1 Overall satisfaction;</p> <p>(ix) R2 Customer effort (ease);</p> <p>(xi) R3 Enjoy my time at the airport;</p> <p>(xii) R54 Feel safe and secure;</p> <p><del>(xii) R8 Passengers with reduced mobility (PRM) – overall satisfaction;</del></p> <p><del>(xiii) R9 Timely delivery from departures baggage system;</del></p> <p>(xvii) R118 Departures flight punctuality; and</p> <p>(xiv) R162a &amp; R162b Immigration queue times.</p> <p>(b) on a monthly basis within four weeks of the end of the relevant month (where applicable), performance for each terminal (for “terminal measures”) and for the Airport (for “airport-wide measures”) with respect to the following measures and as specified in Table 8.</p> <p>(i) R4 Airport that meets my needs; and</p> <p><del>(ii) R107</del> Baggage misconnect rate.</p>	
<p>Amend paragraph 8.1</p>	<p>8.1 This section sets out the details of the service quality MTI scheme as follows:</p>	

	<p>(a) Table 1 Financial measures (Terminal) – metrics, targets, annual rebates and monthly rebates;</p> <p>(b) Table 2 Financial measure (Airport-wide) – <del>Control posts vehicle queuing time</del>—metrics, targets, annual rebates and monthly rebates;</p> <p>(c) Table 3 Financial measure (Airport-wide) – Runway operational resilience – rebates;</p> <p>(d) Table 4 Reputational measures (Terminal) – metrics and targets;</p> <p>(e) Table 5 Reputational measures (Airport-wide) – metrics and targets;</p> <p>(f) Table 6a Bonus calculation <del>up to April 2023</del>;</p> <p><del>(g) Table 6b Bonus calculation from May 2023 onwards;</del></p> <p>(hg) Table 7 Periods of bonuses earned to be taken into account when setting <math>M_t</math> as specified in Condition C1; and</p> <p>(ih) Table 8 Publication requirements.</p>	
<p>Amend Tables 1-8</p>	<p>These are attached after this table</p>	
<p>Amend paragraph A1.2</p>	<p>A1.2 In Tables 1 to Table 2 of this Schedule, the Licensee shall measure the maximum rebates as a percentage of Airport Charges for the relevant Regulatory Year (<math>ANNMAX_i</math> and <math>ANNMAX_{CP\text{Airport}}</math>) to two decimal places, and the Licensee shall measure the maximum</p>	

	<p>monthly rebates as a percentage of Airport Charges (<math>R_{i,j}RY</math> and <math>R_{CP,j}RY</math>) to four decimal places. In Table 3 of this Schedule, the Licensee shall measure the amounts of rebates (<math>v_{ARR_d} + v_{DEP_d}</math>) in thousands to two decimal places. In Table 6 of this Schedule, the Licensee shall measure the maximum bonuses as a percentage of Airport Charges (<math>MB_{bm}</math>) to two decimal places.</p>	
<p>Delete paragraph A2.12</p>	<p>Delete paragraph A2.12 in its entirety</p>	
<p>Amend sub-headings in Annex 2</p>	<p><b>Quality of Service Monitor (QSM)</b></p> <p><del>R4</del> — <del>Airport that meets my needs</del></p> <p><b>R54</b>    Feel safe and secure</p> <p><b>R76</b>    Helpfulness/attitude of airport staff</p> <p><b>R65</b>    Ease of access to the airport</p> <p><del>R8</del> <b>F21</b> Passengers with reduced mobility (PRM): Overall Satisfaction</p>	
<p>Renumber paragraphs A2.13 to A2.22 as A2.12 to A2.21</p>	<p>[No other modifications to these conditions]</p>	

**Table 1: Financial measures (Terminal) – metrics, targets, annual rebates and monthly rebates**

i	Financial measures	Metrics	Time of day to measure performance	Target <sub>i,j,a</sub>	ANNMAX <sub>i</sub> (%)		R <sub>i,j</sub> RY (%) = ANNMAX <sub>i</sub> (%) ÷ 6	
					T2-T4	T5	T2-T4	T5
F1	Cleanliness	Moving annual average QSM survey scores weighted by the moving annual average number of passengers, for the latest available month	Unrestricted	4.15	0.40	0.40	0.0667	0.0667
F2	Wayfinding	Moving annual average QSM survey scores weighted by the moving annual average number of passengers, for the latest available month	Unrestricted	4.20	0.40	0.40	0.0667	0.0667
F3	Helpfulness / attitude of security staff	Moving annual average QSM survey scores weighted by the moving annual average number of passengers, for the latest available month	Unrestricted	4.10	0.20	0.20	0.0333	0.0333
F4	Wi-Fi performance	Moving annual average QSM survey scores weighted by the moving annual average number of passengers, for the latest available month	Unrestricted	4.10	0.20	0.20	0.0333	0.0333
F5a	Security queue time – Central search	Percentage of queue times measured once every 15 minutes that are less than 5 minutes	05:00 to 22:30	95%	1.00	1.00	0.1667	0.1667
F5b		Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	99%				
F6	Security queue time – Transfer search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	95%	0.50	0.50	0.0833	0.0833
F7	Security queue time – Staff search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	Agreed locally between the Licensee and AOC	95%	0.40	0.40	0.0667	0.0667
F9	Availability of lifts, escalators and travelators	Percentage of time serviceable and available for use, independent of any other measure	Agreed locally between the Licensee and AOC	99%	0.70	0.70	0.1167	0.1167

i	Financial measures	Metrics	Time of day to measure performance	Target <sub>i,j,a</sub>	ANNMAX <sub>i</sub> (%)		R <sub>i,j</sub> RY (%) = ANNMAX <sub>i</sub> (%) ÷ 6	
					T2-T4	T5	T2-T4	T5
F10	Availability of check-in infrastructure	Percentage of time that (a) Self Service Bag Drop hardware and software and (b) Common Use Self-Service (CUSS) hardware, where any of these are provided by the Licensee, are serviceable and available for use, independent of any other measures.	Agreed locally between the Licensee and AOC	98%	0.50	0.50	0.0833	0.0833
F11	Availability of arrivals baggage carousels	Percentage of time serviceable and available for use, independent of any other measure	Agreed locally between the Licensee and AOC	99%	0.35	0.35	0.0583	0.0583
F12a	Availability of Terminal 5 track transit system	Percentage of one train serviceable and available for use, independent of any other measure	Agreed locally between the Licensee and AOC	99%		0.30		0.0500
F12b		Percentage of two trains serviceable and available for use, independent of any other measure		97%				
F13	Availability of stands	Percentage of time serviceable and available for use, independent of any other measure	Agreed locally between the Licensee and AOC	99%	0.20	0.20	0.0333	0.0333
F14	Availability of jetties	Percentage of time serviceable and available for use	Agreed locally between the Licensee and AOC	99%	0.20	0.20	0.0333	0.0333
F15	Availability of fixed electrical ground power	Percentage of time serviceable and available for use	Agreed locally between the Licensee and AOC	99%	0.15	0.15	0.0250	0.0250
F16	Availability of stand entry guidance	Percentage of time serviceable and available for use	Agreed locally between the Licensee and AOC	99%	0.20	0.20	0.0333	0.0333

i	Financial measures	Metrics	Time of day to measure performance	Target <sub>i,j,a</sub>	ANNMAX <sub>i</sub> (%)		R <sub>i,j</sub> RY (%) = ANNMAX <sub>i</sub> (%) ÷ 6	
					T2-T4	T5	T2-T4	T5
F17	Availability of pre-conditioned air	Percentage of time serviceable and available for use (Terminals 2, 3 and 5 only)	Agreed locally between the Licensee and AOC	98%	0.20	0.20	0.0333	0.0333
F18	Pier-served stand usage	Moving annual average percentage of passengers accessing a pier served stand (last 12 months)	Unrestricted	95%	0.30		0.0500	
F20a	Hygiene safety testing	<del>Percentage of Amber ATP test results resolved within 12 hours each month</del>	<del>Unrestricted</del>	<del>100%</del>	0.20	0.20	0.0333	0.0333
F20b		<del>Percentage of Red ATP test results resolved within 2 hours each month</del>	<del>Unrestricted</del>	<del>100%</del>				
F20	Timely delivery from departures baggage system	Percentage of bags delivered from the baggage system to the baggage make up area (or facility) not less than 20 minutes before the scheduled time of departure of their intended flight.	Unrestricted	98%	To be confirmed	To be confirmed	To be confirmed	To be confirmed

**Table 2: Financial measure (Airport wide) – ~~Control posts vehicle queuing time~~ – metrics, targets, annual rebates and monthly rebates**

i	Financial measure	Metrics	Time of day to measure performance	Target <sub>i</sub>	ANNMAX <sub>CPI</sub> (%)	$R_{CPI,j}RY (\%) = \frac{ANNMAX_{CPI} (\%) \div 6}{}$
F8	Control post vehicle queuing time	Percentage of vehicles at each control post group, measured as the average queue time for all vehicles in each 15 minute period, which have a waiting time of less than 15 minutes	Period agreed locally between the Licensee and the AOC	95%	0.40	0.0667
	CTA	CTA : CP5, CP8				
	Cargo	Cargo : CP10, CP10a, CP25a				
	Eastside	Eastside : CP12, CP16				
	Southside	Southside : CP24, CP24a				
	Terminal 5	Terminal 5 : CP18, CP19, CP20				
F21	Passengers with reduced mobility (PRM) – overall satisfaction	Moving annual average Special Assistance Quality of Service Monitor (SpA QSM) scores weighted by the moving annual average number of passengers using the Special Assistance Service at the Airport, for the latest available month	Unrestricted	4.00	To be confirmed	To be confirmed

**Table 3: Financial measure (Airport-wide) – Runway operational resilience – rebates**

i	Financial measure	Metric	Target <sub>j</sub>	MAXRebate <sub>RO</sub> (%)	Maximum cumulative movements deferred each day	0 to 3	4 to 5	6 to 7	8 to 9	10 to 11	12 to 13	14 to 15	16 to 17	18 to 19	20 or more
F19	Runway operational resilience	Maximum cumulative movements deferred each day	zero	0.50%	$V_{ARR_d} + V_{DEP_d}$ (£'000 in 2020-2024 CIPH-real prices)	–	14.10 17.22	22.84 27.90	32.71 39.96	45.26 55.29	60.48 73.88	78.25 95.58	98.84 120.74	121.96 148.98	141.00 172.24

**Table 4: Reputational measures (Terminal) – metrics and targets**

i	Reputational measures	Metric	Time of day to measure performance	Target <sub>i,j,a</sub> <sup>4</sup>
R1	Overall satisfaction	Moving annual average QSM survey scores weighted by the moving annual average number of passengers, for the latest available month	Unrestricted	4.26
R2	Customer effort (ease)	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) rating the journey was easy or very easy, for the latest available month	Unrestricted	91%
R3	Enjoy my time at the airport	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) rating the journey was easy or very easy, for the latest available month	Unrestricted	80.5%
R4	Airport that meets my needs	<del>Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) agreeing with the statement, for the latest available month</del>	Unrestricted	94%

i	Reputational measures	Metric	Time of day to measure performance	Target <sub>i,j,a</sub> <sup>4</sup>
R54	Feel safe and secure	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) agreeing with the statement, for the latest available month	Unrestricted	96%
R76	Helpfulness / attitude of airport staff	Moving annual average QSM survey scores weighted by the moving annual average number of passengers, for the latest available month	Unrestricted	4.36
R9	<del>Timely delivery from departures baggage system</del>	<del>Percentage of bags delivered from the baggage system to the baggage make-up area (or facility) not less than 30 minutes before the scheduled time of departure of their intended flight.</del>	<del>Unrestricted</del>	<del>98%</del>
R162a	Immigration queue times	Percentage of queuing times measured once every 15 minutes for non-EEA passengers using staffed immigration desks that are less than 45 minutes	0500-2230	95%
R162b		Percentage of queuing times measured once every 15 minutes for EEA passengers using staffed immigration desks that are less than 25 minutes	0500-2230	95%

**Table 5: Reputational measures (Airport-wide) – metrics and targets**

i	Reputational measures	Metric	Time of day to measure performance	Target <sub>i,j</sub> <sup>4</sup>
R65	Ease of access to the airport	Moving annual average Surface Access Customer Satisfaction Survey (SACS) scores weighted by the moving annual average number of passengers arriving at the Airport by surface transport, for the latest available quarter	Unrestricted	4.44
R8	<del>Passengers with reduced mobility (PRM) – overall satisfaction</del>	<del>Moving annual average Special Assistance Quality of Service Monitor (SpA QSM) scores weighted by the moving annual average number of</del>	<del>Unrestricted</del>	<del>4.00</del>

<sup>4</sup> This target is for Regulatory Year 2026 and in earlier Regulatory Years the Licensee shall publish its performance in a way that shows its progress towards achieving this target by Regulatory Year 2026.

i	Reputational measures	Metric	Time of day to measure performance	Target <sub>i,j</sub> <sup>±</sup>
		<del>passengers using the Special Assistance Service at the Airport, for the latest available month</del>		
R107	Baggage misconnect rate	Average of the number of bags per 1000 passengers, which miss their originally intended departing passenger flight.	Unrestricted	<del>No target</del> 9.8 bags
R118	Departures flight punctuality	Average proportion of scheduled passenger flights taking off within 15 minutes of the scheduled departure time	Unrestricted	80.5%
R129	Airport departures management	Average time taken (across all departing passenger flights) between the Actual Start Request Time and the Actual Take-Off Time of an aircraft	Unrestricted	30.0 minutes
R130	Airport arrivals management	Average time taken (across all arriving passenger flights) between the wheels of aircraft touching down on a runway and roll-retarding chocks being placed against the aircraft wheels, after the aircraft's brakes have been applied on stands	Unrestricted	10.0 minutes
R14	<del>Percentage of UK population within 3 hours (and one interchange) of Heathrow by public transport</del>	<del>Percentage of UK population who live within 3 hours (and one interchange) of the Airport by public transport based on current public transport routes</del>	Unrestricted	No target
R151	Passenger injuries	Moving annual average number of passengers that are injured while travelling through the Airport each month, per one million passengers (excluding ill health)	Unrestricted	<del>No target</del> 0.32 (by end 2031)
R173	Carbon emissions	Total carbon emissions (sum of Scope 1, Scope 2 and Scope 3 <sup>2</sup> ) in Regulatory Year t as Tonnes CO <sub>2</sub> equivalent per year	Unrestricted	<del>No target</del> To be confirmed

<sup>2</sup> See the Greenhouse Gas (GHG) Scope reporting categories specified in Chapter 4 of The Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard for Scope 1 Direct GHG emissions, Scope 2 Indirect GHG emissions from purchased and consumers electricity, and Scope 3 All other Indirect GHG emissions (<https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf> and <https://ghgprotocol.org/corporate-standard-frequently-asked-questions#question%20one>).

**Table 6a: Bonus calculation up to April 2023**

k	Specified element	Metric	Lower performance limit $LPL_k$	Upper performance limit $UPL_k$	Maximum bonus $MB_k$
1	Departure lounge seating availability	Moving annual average QSM scores (as defined in this licence in the form it was in during the period up to April 2023) weighted by monthly passenger numbers in the relevant terminal	4.10	4.50	0.36%
2	Cleanliness		4.20	4.50	0.36%
3	Way-finding		4.20	4.50	0.36%
4	Flight information		4.40	4.70	0.36%

**Table 6b: Bonus calculation from May 2023 onwards**

bm	Bonus measure	Metric	Additional condition	Time of day to measure performance	Lower bonus threshold LBT <sub>bm</sub>	Upper bonus threshold UBT <sub>bm</sub>	Maximum bonus MB <sub>bm</sub>	Monthly bonus = MB <sub>bm</sub> ÷ 12
F1	Cleanliness	Moving annual average QSM scores weighted by monthly passenger numbers		Unrestricted	4.35	4.65	0.36%	0.0300%
F2	Wayfinding	Moving annual average QSM scores weighted by monthly passenger numbers		Unrestricted	4.40	4.70	0.36%	0.0300%
F5a	Security queue time – Central search	Percentage of queue times measured once every 15 minutes that are less than 5 minutes	Targets for Helpfulness / attitude of security staff must be met in the same month	05:00 to 22:30	97%	99%	0.54%	0.0450%
F6	Security queue time – Transfer search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes		05:00 to 22:30	97%	99%	0.18%	0.0150%
F7	Security queue time – Staff search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes		Agreed locally between the Licensee and AOC	X%	X%	To be confirmed	To be confirmed
F8	Control post vehicle queuing time	Percentage of vehicles at each control post group, measured as the average queue time for all vehicles in each 15 minute period, which have a waiting time of less than 15 minutes		Agreed locally between the Licensee and AOC	X%	X%	To be confirmed	To be confirmed

**Table 7: Periods of bonuses earned to be taken into account when setting  $M_t$  as specified in Condition C1**

Bonuses earned in Regulatory Year	are included in
<del>2020</del> 2025	the overall <del>H7</del> H8 allowed revenues and profiled across <del>H7</del> H8
<del>2024</del> 2026	the maximum revenue yield per passenger for Regulatory Year <del>2023</del> 2028 $M_{2028}$ through the bonus term $B_{2026}$
<del>2022</del> 2027	the maximum revenue yield per passenger for Regulatory Year <del>2024</del> 2029 $M_{20242029}$ through the bonus term $B_{20222027}$
<del>2023</del> 2028	the maximum revenue yield per passenger for Regulatory Year <del>2025</del> 2030 $M_{20252030}$ through the bonus term $B_{20232028}$
<del>2024</del> 2029	the maximum revenue yield per passenger for Regulatory Year <del>2026</del> 2031 $M_{20262031}$ through the bonus term $B_{20242029}$

**Table 8: Publication requirements**

i	Measures	Frequency	Terminal	Website	Regulatory accounts
F1	Cleanliness	Monthly	Performance Target	Performance Target	Rebates (audited) Bonuses (audited)
F2	Wayfinding		Rebates (estimated) Bonuses (estimated)	Rebates (estimated) Bonuses (estimated)	
F3	Helpfulness / attitude of security staff	Monthly	Performance Target	Performance Target	Rebates (audited)
F4	Wi-Fi performance		Rebates (estimated)	Rebates (estimated)	
F5a	Security queue time – Central search	Monthly	Performance Target	Performance Target	Rebates (audited) Bonuses (audited)
F5b			Rebates (estimated) Bonuses (estimated)	Rebates (estimated) Bonuses (estimated)	
F6	Security queue time – Transfer search		Rebates (estimated) Bonuses (estimated)	Rebates (estimated) Bonuses (estimated)	
F7	Security queue time – Staff search	Monthly		Performance Target	Rebates (audited) Bonuses (audited)
F8	Control posts vehicle queuing time		Rebates (estimated) Bonuses (estimated)		
<del>F7</del>	<del>Security queue time – Staff search</del>	Monthly			Rebates (audited)
<del>F8</del>	<del>Control posts vehicle queuing time</del>				
F9	Availability of lifts, escalators and travelators		Performance Target		
F10	Availability of check-in infrastructure		Rebates (estimated)		
F11	Availability of arrivals baggage carousels				
F12a	Availability of Terminal 5 track transit system				
F12b					

i	Measures	Frequency	Terminal	Website	Regulatory accounts
F13	Availability of stands				
F14	Availability of jetties				
F15	Availability of fixed electrical ground power	Monthly		Performance Target Rebates (estimated)	Rebates (audited)
F16	Availability of stand entry guidance				
F17	Availability of pre-conditioned air				
F18	Pier served stand usage				
F19	Runway operational resilience				
<del>F20a</del>	<del>Hygiene safety testing</del>	Monthly	<del>Performance Target Rebates (estimated)</del>	<del>Performance Target Rebates (estimated)</del>	<del>Rebates (audited)</del>
<del>F20b</del>					
F20	Timely delivery from departures baggage system	Monthly	Performance Target Rebates (estimated)	Performance Target Rebates (estimated)	Rebates (audited)
F21	Passengers with reduced mobility (PRM) – overall satisfaction	Monthly	Performance Target Rebates (estimated)	Performance Target Rebates (estimated)	Rebates (audited)
R1	Overall satisfaction	Monthly	Performance Target	Performance Target	
R2	Customer effort (ease)				
R3	Enjoy my time at the airport				
<del>R4</del>	<del>Airport that meets my needs</del>	Monthly	<del>Performance Target</del>	<del>Performance Target</del>	
<del>R54</del>	Feel safe and secure	Monthly	Performance Target	Performance Target	

i	Measures	Frequency	Terminal	Website	Regulatory accounts
R65	Ease of access to the airport	Quarterly		Performance Target	
R76	Helpfulness/attitude of airport staff	Monthly		Performance Target	
R8	<del>Passengers with reduced mobility (PRM) — overall satisfaction</del>	Monthly	<del>Performance Target</del>	<del>Performance Target</del>	
R9	<del>Timely delivery from departures baggage system</del>	Monthly	<del>Performance Target</del>	<del>Performance Target</del>	
R407	Baggage misconnect rate	Monthly	Performance	Performance	
R448	Departures flight punctuality	Monthly	Performance Target	Performance Target	
R129	Airport departures management	Monthly		Performance Target	
R130	Airport arrivals management				
R14	<del>% of UK population within 3 hours (and one interchange) of the Airport by public transport</del>	Annually		<del>Performance Target</del>	
R151	Passenger injuries	Monthly		Performance	
R162a	Immigration queue times	Monthly	Performance Target	Performance Target	
R162b					
R173	Carbon emissions	Annually		Performance	

## APPENDIX D

## HAL condition F proposed reformulation

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### Introduction

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- D1 Condition F of the Licence underpins the requirements we set for HAL to consult stakeholders. It is also the “hook” in the Licence which gives rise to the capex governance arrangements, requiring HAL to:
- develop the required materials; and
  - including in them matters required by guidance issued for the purpose of the Condition.
- D2 The drafting of the condition has evolved since it was included in the Licence when it was first granted. We consider that it is now appropriate for us to revisit the drafting of Condition F to ensure that provides a clear framework that facilitates ongoing compliance by HAL in interests of consumers.
- D3 Some changes to this condition also appear to be needed, not least to ensure it remains up-to-date. We draw attention to these below.

### Overall approach

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- D4 Most of the changes we propose in redrafting this condition seek to separate out the obligations set out in Condition F1.1(a) and (b) to create a clear framework that sets out:
- what the condition applies to;
  - what HAL’s obligations are; and
  - what the consultation arrangements seek to achieve.
- D5 Separating these obligations out in the manner set out below seeks to provide a clear framework by setting these matters out in turn in the revised draft Conditions F1.2 to F1.4.
- D6 The drafting set out below does not seek to make significant changes to the approach currently taken by Condition F. To help stakeholders to follow our proposed approach, we introduce each paragraph of the redrafted condition with a drafting note explaining the approach taken. This material should be read alongside the existing Condition F in the Licence.
- D7 Where we consider changes may be needed, we draw attention to them in the drafting notes.

## Draft Recast condition

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### Paragraph F1.1 Drafting Note

- D8 As noted above, the aim of this recasting of Condition F of HAL's licence is to reformulate the obligations in the existing Condition F in a manner that enables both HAL and stakeholders to understand more clearly what is expected of HAL in relation to its consultation activities.
- D9 The first sentence of Paragraph F1.1 below is new text, which we consider desirable to clarify what the purpose of the condition is. The second sentence is designed to make clear who the "audience" for the consultation and governance obligations is by identifying the constituency of "Relevant Parties". The definition of "Relevant Parties" has been taken from Condition F1.9 of the existing condition without substantive change.

### Proposed text:

- F1.1 This Condition sets out the approach that the Licensee shall take to consulting Relevant Parties and in relation to certain materials prepared by the Licensee. For the purposes of this Condition, Relevant Parties means those stakeholders that need to be consulted for the Licensee to comply with the relevant obligation under this Condition, including any groups or boards already established for the purpose of developing protocols to which this Condition applies.

### Paragraph F1.2 Drafting Note:

- D10 This paragraph is designed to distil from the current Condition F1.1 the scope of the matters to which it applies. So, it seeks to answer the question "what does the obligation apply to?". It sets out an unchanged list of matters taken from the existing Condition F1.1(a)(i)-(iv), albeit that the text of the items in the list has been simplified to improve their clarity.

### Proposed text:

F1.2 Paragraphs F1.3 and F1.4 apply to:

- (a) the Licensee's proposals for future investment in the Airport in the short, medium and long term that have the potential to affect Relevant Parties;
- (b) the Licensee's proposals for the development and delivery of key capital projects identified in its future investment proposals in Condition F1.2(a);
- (c) the Licensee's charges to users of Specified Facilities in Condition C2.12(c)(i)<sup>3</sup>; and

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<sup>3</sup> This refers to ORCs charged to airlines (including the AOC).

- (d) the service quality regime in Condition D1, including the Statement of Measures, Targets and Incentives in Schedule 1 of this Licence.

### Paragraph F1.3 Drafting Note

D11 This paragraph seeks to replicate those elements of the current Condition F1.1(a) to answer the question of “what are the Licensee’s obligations?”, and apply them to the matters listed in Condition F1.2.

#### Proposed text:

F1.3 The Licensee shall:

- (a) develop;
- (b) consult Relevant Parties on; and
- (c) use reasonable endeavours to agree with Relevant Parties

governance and consultation arrangements (including such protocols and handbooks as are appropriate) for the matters set out in Condition F1.2.

### Paragraph F1.4 Drafting Note

D12 This paragraph replicates the parts of the current Condition F1.1(a) that deal with the question of “what the consultation and governance arrangements should seek to achieve”.

D13 We note that, at present, Condition F does not clearly require HAL to comply with the governance arrangements subject to this condition. While this is implicit, we are considering whether compliance with those arrangements should be clearly required by the Licence.

#### Proposed text:

F1.4 The governance and consultation arrangements required by Condition F1.2 shall establish:

- (a) rules and processes;
- (b) information requirements; and
- (c) consultation requirements

that are sufficiently clear to allow Relevant Parties to:

- (i) scrutinise, challenge and collaborate with the Licensee to drive efficient costs and appropriate service levels; and
- (ii) propose and, where relevant, agree amendments to proposals made by the Licensee in relation to the matters set out in Condition F1.2.

### Paragraph F1.5 Drafting Note:

D14 This paragraph seeks to replicate the consultation requirements on HAL for the matters currently set out in condition F1.1(b).

D15 We are considering whether the comparator date of 2022 is still appropriate. We welcome stakeholders' views on this matter.

**Proposed text:**

F1.5 The Licensee shall consult Relevant Parties for a period of no less than 28 days (or such other time period as may be agreed with Relevant Parties) on, as a minimum:

- (a) any proposed changes to the governance and consultation arrangements referred to in Condition F1.2; and
- (b) its:
  - (i) charges to users of Specified Facilities under Condition C2.12(c)(ii)<sup>4</sup>;
  - (ii) traffic forecasts;
  - (iii) operational resilience activities under Condition D2;
  - (iv) Terminal drop-off charges in excess of 10 per cent of the charge applicable in Regulatory Year 2022; and
  - (v) its policies and proposals for any other airport operation service it provides.

**Paragraph F1.6 Drafting Note**

D16 This paragraph sets out the obligations currently included in the last line of Condition F1.1(b) on the what the consultations undertaken by HAL should enable stakeholders to do in response. We note that, as in the current Condition F1.1(b), the requirements for what HAL must endeavour to achieve are simpler than those in relation to the governance and consultation arrangements covered by the current Condition F1.1(a) and replicated in the draft of Condition F1.4 above. The drafting below seeks to maintain that position by applying the obligation only to the matters specified in Condition F1.5(b) above.

D17 At present, Condition F does not cast this as an "endeavours" obligation. However, recasting this as an obligation on HAL to use all reasonable endeavours to provide stakeholders with sufficient information appears to be an appropriate "translation" of the existing obligation into clearer language. We consider that a standard of "all reasonable endeavours" is appropriate here as HAL has control over the materials it produces. This is different from the position in Condition F1.8 below (where "reasonable endeavours" is used), where HAL is seeking to gain agreement, a matter over which it has less control. We welcome stakeholders' views on this.

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<sup>4</sup> Note: this refers to ORCs charges to groundhandlers, retailers, hotels, Border force, hire car operators etc.

**Proposed text:**

- F1.6 The Licensee shall use all reasonable endeavours to ensure that any consultation it conducts under Condition F1.5 in relation to the matters set out in Condition F1.5(b) provides Relevant Parties with sufficient information to take an informed view of the proposed changes.

**Paragraph F1.7 Drafting Note**

D18 This paragraph replicates the obligations currently set out in Condition F1.2.

*Proposed text:*

- F1.7 Before making any changes following a consultation under this Condition, the Licensee must provide to the Relevant Parties and the CAA a report setting out:
- (a) the revisions originally proposed;
  - (b) a summary of any representations made in writing and not expressly withdrawn; and
  - (c) details of how it has taken those representations into account, including any changes to the revisions originally proposed as a result of such representations.

**Paragraph F1.8 Drafting Note**

D19 This paragraph replicates the obligations currently set out in Condition F1.3.

D20 We note that this paragraph was amended as part of the H7 price control to require HAL to create a “baseline” set of governance arrangements during 2023. Given the passage of time since the price control was set and that there is now a set of governance arrangements in place, we are considering whether this provision should be updated to create an ongoing obligation to have the required materials in place. We welcome stakeholders’ views on this.

**Proposed text:**

- F1.8 The Licensee shall within the Regulatory Year 2023 consult on, use reasonable endeavours to agree, and make available to Relevant Parties and the CAA, one or more protocols, handbooks or other arrangements setting out how it will satisfy the obligations in Condition F1.3 and, to the extent those protocols, handbooks or other arrangements have been agreed, the Licensee shall comply with them.

**Paragraph F1.9 Drafting Note**

D21 This paragraph replicates the obligations currently set out in Condition F1.4.

**Proposed text:**

F1.9 As a minimum, the protocols, handbooks or other arrangements referred to in Condition F1.3 shall include those elements set out in any relevant guidance issued from time to time by the CAA.

**Paragraph F1.10 Drafting Note**

D22 This paragraph replicates the obligations currently set out in Condition F1.5.

**Proposed text:**

F1.10 Guidance under Condition F1.9 shall not have effect unless the CAA has first consulted the Licensee and any other relevant parties on that guidance or any revision of it (whether or not such consultation commenced prior to this condition coming into effect).

**Paragraph F1.11 Drafting Note**

D23 This paragraph replicates the obligations currently set out in Condition F1.6.

D24 We are considering whether it would still be appropriate for this condition to provide for the ongoing validity of materials agreed prior to 2022. We welcome stakeholders views on this, including on whether any pre-2022 materials are still relevant.

**Proposed text:**

F1.11 In complying with this Condition, the Licensee may use any protocol, handbook or other arrangement that meets the requirements of Condition F1.4 and was agreed with Relevant Parties prior to 1 January 2022, subject to any revisions required under Condition F1.9.

**Paragraph F1.12 Drafting Note**

D25 This paragraph replicates the obligations currently set out in Condition F1.7.

**Proposed text:**

F1.12 The Licensee shall, review the protocols, handbooks or other arrangements it has in place to meet the requirements of Condition F1.3 from time to time or if directed by the CAA by notice to do so and, update them as necessary in accordance with this Condition. In conducting any such review, the Licensee shall consult with Relevant Parties.

**Paragraph F1.13 Drafting Note**

D26 This paragraph replicates the obligations currently set out in Condition F1.8.

**Proposed text:**

F1.13 Where the Licensee cannot reach agreement with Relevant Parties under Conditions F1.3, Condition F1.8 or after a review under Condition F1.12, it may refer the matter to the CAA for determination and, following such a

referral, the CAA may, by notice, make a determination on the matter so referred.

## Views invited

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- D27 We welcome stakeholders' views on our proposed approach to recasting the obligations currently set out in Condition F, including whether the proposed text set out above appropriately clarifies the obligations currently placed on HAL by the existing condition.
- D28 We also welcome stakeholders' views on whether:
- in Condition F1.5, the comparator date of 2022 is still appropriate;
  - Condition F1.6 should be recast as an "endeavours" obligation;
  - it would be appropriate to recast Condition F1.8 as an ongoing obligation;
  - the condition still needs to provide for the validity of materials agreed prior to 2022 and whether an alternative "cut off date" should be used.

