

Appendix E to Final Decision for the NR23 price control review (2023 to 2027) – Notice of the CAA’s decision to modify NERL’s licence

CAP 2597c

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APPENDIX E

Notice of the CAA's decision to modify NERL's licence

Introduction and context

- E1 This appendix constitutes a notice under section 11A(5) TA00 to modify the air traffic services licence granted to NERL by the Secretary of State under section 6 TA00 on 28 March 2001 ("the NERL licence") to implement the decisions set out in this Final Decision in respect of the NR23 price controls.
- E2 The modifications we have decided to make are set out below and are set out in "tracked change" format compared to the version of the NERL licence dated January 2022 which is in effect at the date of this Final Decision.
- E3 The other chapters in and appendices to this Final Decision:
- set out the reasons for, and effects of, the modifications set out in this notice;
 - set out how we have taken account of representations made by stakeholders in response to the CAA's notice under section 11A(1) TA00 for the proposed modifications to the NERL licence that accompanied the Provisional Decision;
 - set out the reasons for any changes we have made to the drafting of the modifications to the NERL licence since the Provisional Decision; and
 - form part of this notice.

What the modifications cover

- E4 Key areas that are addressed in this Final Decision include our decisions on:
- modifications with respect to availability of resources and financial ring fencing (Condition 5);
 - modifications with respect to regulatory accounting guidelines (Condition 6);
 - modifications with respect to business plans, service and investment plans and periodic reports (Condition 10);
 - modifications with respect to airspace modernisation (Condition 10a);
 - modifications with respect to the payment of fees (Condition 18); and
 - modifications of the price control conditions (Conditions 20 – 24).
- E5 The chapters of this Final Decision also give our reasons for the modifications that we have decided to make and how we have taken account of

representations made in response to the CAA's notice under section 11A(1) TA00 for the proposed modifications to the NERL licence that accompanied the Provisional Decision.

Effective date for the modifications

E6 Subject to any appeals, these modifications come into effect on 7 December 2023.

Our Provisional Decision

E7 In our Provisional Decision we proposed modifications to the following licence conditions:

- Condition 6 – Regulatory accounting guidelines:
 - to introduce a definition of new users; and
 - to require NERL to explain the basis on which incurred costs have been apportioned or allocated to new users.
- Condition 10 – Business plans, service and investment plans and periodic reports:
 - to reduce the assessment criteria in the capex engagement incentive by combining the timeliness of information NERL provides to users, proportionality and user focus criteria.
- Condition 10a – Airspace modernisation:
 - to require NERL to provide:
 - a high-level report to us and DfT on the delivery of the airspace modernisation strategy initiatives each year on request; and
 - a quarterly (or other period as agreed) report to us on ACOG's costs and a forecast of its costs for the remainder of NR23.
- Condition 18 – Payment of fees:
 - to delete the entire condition requiring NERL to pay us an annual fee to cover the costs of our economic regulation, including the additional costs we incur in carrying out price control reviews.
- Condition 21 – Control of Eurocontrol charges to implement the new price control for NR23:
 - adding Determined Costs for each year of NR23;

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- introducing new terms to the price control for the proportion of NERL's recovery of TRS revenue in respect of 2020, 2021 and 2022 which will be recovered in NR23, and a pricing profile adjustment to smooth revenue over the NR23 period;
 - amending the TRS recovery term for NR23 for under- or over-recoveries from differences in forecast and actual traffic, with recoveries of differences two years later, apart from under-recoveries of differences greater than 10% which will be recovered spread over the third and fourth years after the relevant year; and
 - amending the targets for the C2, C3 and C4 service quality and 3Di environmental incentives for NR23.
- Condition 21a – Control of London Approach charges to implement the new price control for NR23:
 - adding Determined Costs for each year of NR23;
 - introducing a new term for the proportion of NERL's recovery of TRS revenue in respect of 2020, 2021 and 2022 which will be recovered in NR23; and
 - amending the TRS recovery term for NR23 for under- or over-recoveries from differences in forecast and actual traffic, with recoveries of differences two years later, apart from under-recoveries of differences greater than 10% which will be recovered spread over the third and fourth years after the relevant year.
 - Condition 22 – Control of Oceanic charges to implement the NR23 price control:
 - adding a base charge per flight for each year of NR23;
 - adding an ADS-B charge for each flight in the Atlantic area for each year of NR23;
 - adding an ADS-B charge for each flight in the Tango area for each year of NR23; and
 - amending the arrangements for the independent review of whether the benefits of ADS-B outweigh the costs to allow us to determine the date of the review and its terms of reference.
 - Condition 24 – Information to be provided to the CAA in connection with the charge control conditions:
 - requiring NERL to put in place a cost recording mechanism and to report to us annually on:

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- details of the Core and Specified Services (as defined in NERL’s licence) requested by and provided to new users;
 - the costs incurred by NERL in providing the Core and Specified Services to new users;
 - any associated activities, costs and deliverables resulting from the provision of Core and Specified Services to new users; and
 - any amendments to the cost reporting system.
- requiring NERL to produce, after consultation with users including new users, a proposed charging mechanism to calculate charges for new users by 30 June 2025.

E8 We also proposed minor consequential changes to:

- Condition 5 – Availability of resources and financial ring fencing:
 - to change the period over which we require NERL to report on its expected gearing to the five years of the NR23 period; and
- Condition 20 – Price control condition definitions:
 - to include definitions of the NR23 regulatory period and Eurocontrol Principles.

E9 We also consulted on amending the guidance on NERL’s capital expenditure engagement incentive published in December 2020, welcoming views on the proposed changes to the detailed scoring criteria and other revisions to the guidance.

Stakeholder responses to our Provisional Decision

E10 None of the responses to the Provisional Decision directly addressed the proposed licence modifications themselves. A large number of comments were received on methodological and other aspects of the Provisional Decision which are addressed in the chapters of this Final Decision.

Our views

E11 None of the responses to the Provisional Decision directly addressed the wording of the proposed licence modifications and so for the reasons set out in the chapters relevant to each Condition (see paragraph E15 below) the modifications we are making to NERL’s licence are mostly the same as those we proposed in the Provisional Decision (see the summary in paragraph E7 above), save for the minor differences set out in paragraphs E12 and E13 below.

E12 Firstly, we have made a few minor changes to some of the numerical values in the modifications we are making to the price control conditions, as compared to

the proposed modifications in the Provisional Decision to address comments received on methodological aspects of the Provisional Decision, as explained in the chapters of this Final Decision highlighted below:

- Condition 21: the values of “DC”, “TRSRRecovery” and “PP” for each year of NR23 (see chapters 3-6); and
- Condition 22: the values of “U” for each year of NR23 (see chapter 9).

- E13 Secondly, the changes in the “DC” values have resulted in a minor change to the C4 Penalty Rate in paragraph 12 of Condition 21 (which is calculated by reference to the Determined Cost for 2023) which we proposed in the Provisional Decision (see chapter 2). The C3 Bonus and Penalty Rates in paragraph 9 of Condition 21 are also calculated by reference to the Determined Cost for 2023, but there are no changes to those rates as proposed in our Provisional Decision at the level of three decimal places to which they are quoted in the licence.
- E14 We have also decided to make the changes to paragraph 4 of Condition 21 and paragraph 4 of Condition 21a which were included in the corrigendum to Appendix H of the Provisional Decision ([CAP2553d](#)).
- E15 The reasons for, and effects of, the modification decisions set out in this notice are set out in the relevant chapters of this Final Decision. In particular:
- Condition 5 – the reason is to align the period over which NERL measures average gearing to the NR23 regulatory period rather than aligning to financial years. The effect will be that NERL will provide gearing measurements for the period covered by the price control.
 - Condition 6 – the reasons and effects are set out in the new users section of chapter 7.
 - Condition 10 – the reasons and effects are set out in the capex engagement incentive section of chapter 7. In our view these modifications will encourage NERL to improve the quality of its engagement with airlines on its capex programme and make it clearer what NERL will need to do to avoid a penalty.
 - Condition 10a – the reasons and effects are set out in the airspace modernisation section of chapter 7. In general, these proposals formalise existing arrangements rather than creating a new burden. They also provide for a different reporting frequency, where agreed by the CAA and NERL.
 - Condition 18 – the reasons and effects were set out in the CAA Determined Costs section of our UK performance plan Decision on DfT, Met Office and CAA en route costs – CAP2553b.

- Condition 20 – the reason is to update the definitions of terms in Conditions 21, 21a and 22 so they are relevant to the NR23 period. The effect is to ensure that terms in these conditions are correctly defined.
- Condition 21 – the reasons are set out in chapters 2-7. The effects are to allow the calculation of the Eurocontrol price control.
- Condition 21a – the reasons are set out in chapter 8. The effects are to allow the calculation of the London Approach price control.
- Condition 22 – the reasons are set out in chapter 9. The effects are to allow the calculation of the Oceanic price control.
- Condition 24 – the reasons and effects are set out in the new users section of chapter 7.

E16 The modifications we have decided to make to implement our NR23 decision are below. The modifications are set out in red and strikethrough.

Licence modification decision

Condition 5: Availability of resources and financial ring-fencing – extract

26. The Licensee shall:

- (a) provide from time to time as reasonably requested by the CAA and in any event within 25 business days of a measurement date:
 - (i) in respect of the measurement date to which it relates, the value of Gearing and its best estimate of Gearing on each of the four subsequent measurement dates;
 - (ii) for the four subsequent measurement dates, confirmation that it is not aware of any circumstances which will result in Gearing being above 65 per cent or prevent it complying (where applicable) with paragraph 25, or if the Licensee is aware of any such circumstances disclosure of those circumstances; and
 - (iii) if so requested by the CAA, the financial model in support of that confirmation.
- (b) provide from time to time as reasonably requested by the CAA and in any event within 25 business days of 31 March every year:
 - (i) its best estimate of expected average Gearing over the period from 4 ~~April 2020~~ **1 January 2023 to 31 December 2027** ~~31 March 2025~~ as a

whole (as a simple arithmetic average of the ten measurement dates within that period); and

- (ii) an explanation of any difference between expected average gearing in paragraph 26(b)(i) and the monitoring threshold level of gearing of 60 per cent.

Condition 6: Regulatory accounting requirements

5. The Regulatory Accounting Guidelines prepared pursuant to paragraph 2 shall, without limitation:

(a) provide that, except so far as the CAA reasonably considers necessary, the regulatory accounts shall be prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU from time to time;

(b) state the accounting policies to be adopted, including the basis on which any amount has been either:

(i) charged from or to the UK Air Traffic Services Business and the En route (Oceanic) Business together with a description of the basis of that charge; or

(ii) determined by apportionment or allocation between the UK Air Traffic Services Business and the En route (Oceanic) Business; and

(c) explain the basis on which incurred costs have been apportioned or allocated to services provided to New Users, specifying in particular which services have been provided and, where possible, to which types of New User.

9. In this Condition:

- “New Users” means a User who:

- is or is in the process of applying to be an “unmanned aircraft system operator” or “UAS operator” carrying out “UAS operations”, as defined in UK Regulation (EU) 2019/947;

- is the holder of or is in the process of applying for an “operator licence” or a “spaceport licence” as defined in the Space Industry Act 2018;

- is the owner of a “spacecraft” or a “carrier aircraft” as defined in the Space Industry Act 2018; or

- is any other User who owns, operates, or is in the process of applying for the relevant approvals to own or operate, a novel type of aircraft for which the Licensee has

not previously provided air traffic services and who wishes to use such services.

Condition 10: Business plans, service and investment plans and periodic reports

8. The Licensee shall be subject to a financial incentive in respect of the quality of its engagement on its capital expenditure programme. The incentive shall be based on the following assessment criteria:

1. the timeliness of information the Licensee provides to Users, including the provision of early warning and explanation of factors that may put planned delivery timelines at risk, **the extent to which the information and mechanism of delivery is focused on the priorities and resource constraints of Users so that it is clear and accessible, the provision of early warning and explanation of factors that may put planned delivery timelines at risk, the extent to which the information enables changes to the capital expenditure programme to be traced from one consultation to another and the proportionality of the information to the materiality of change under consideration;**
2. ~~the proportionality of the information to the materiality of change under consideration;~~ the range of reasonable options that the Licensee engages on with Users that might be adopted where practical, including the need for those options and the outcomes and benefits that the Licensee is seeking to deliver, opportunities provided for engagement and scrutiny of those options and the impact of those options on operational expenditure;
3. the Licensee's responsiveness to User and Independent Reviewer submissions including the clear explanation of how it has considered and taken account of those submissions; and
4. whether, in its engagement with users, the Licensee has taken the appropriate mitigation and corrective actions in the light of User and Independent Reviewer submissions.

14. In this Condition:

“Plan Renewal Date”	means 31 December 2020 2027 , or such other date the CAA shall reasonably specify following consultation with the Licensee, and every fifth anniversary thereof.
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Condition 10a: Airspace modernisation

1. The Licensee must maintain an Airspace Change Organising Group (“ACOG”). ACOG shall be a unit within the Licensee, separate and impartial from the Licensee's other functional units set up for the purpose of carrying out the functions set out in

paragraphs 2, 3, 5, 8, 9, 10 and 11 below. The Licensee shall ensure that ACOG is ~~will~~ be subject to oversight from a Steering Committee to assist with its impartiality and engagement of relevant stakeholders relevant to the delivery of this function. The Licensee shall appoint the Head of ACOG and the Chair of the Steering Committee following consultation with the CAA and the Department for Transport (“DfT”). The Licensee shall ensure that the Steering Committee ~~will~~ includes at least one representative from the Licensee, airlines, airports, the general aviation community and independent members with appropriate experience. The Licensee remains accountable for the outputs of ACOG.

2. The Licensee must create and maintain a single coordinated implementation plan for airspace changes in the UK for the period to 2040 (“airspace change masterplan” or “the masterplan”).
3. The masterplan must:
 1. be consistent with the delivery of airspace modernisation as described in the Airspace Modernisation Strategy (CAP 1711 or any successor publication) published by the CAA in accordance with Direction 3(e) of the Civil Aviation Authority (Air Navigation) Directions 2017 (the “Airspace Modernisation Strategy”);
 2. meet the criteria for a Masterplan set out in paragraph 6 of the DfT and CAA’s joint letter to the licensee of 2 November 2018 (see Annex B) or any successor publication;
 3. comply with any requirements or guidance associated with the requirements set out in paragraphs 3a to 3b above, as provided by the Secretary of State or CAA as co-sponsors of the Airspace Modernisation Strategy, including on the content or the methods by which the masterplan is to be produced;
 4. take into consideration the information provided by and expertise of the airport operators and other ANSPs in the relevant part of the managed area; and
 5. take into consideration the views of the entities listed as representatives of a stakeholder group, or as a conduit to them, identified in the Airspace Modernisation governance annex to the Airspace Modernisation Strategy or any successor publication.
4. The masterplan shall be subject to assessment in accordance with the criteria set out in paragraphs 3 a to e above and any further guidance issued by the CAA and subsequent acceptance by the CAA, who shall consult with the Secretary of State in making such assessment.

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5. The Licensee shall make any changes to the masterplan as are reasonably proposed by the CAA in order to comply with and meet the objectives of the Airspace Modernisation Strategy.
 6. The Licensee shall prepare and submit to the CAA the airspace change proposals related to the airspace in which the Licensee provides UK en route air traffic control services. Such requirement may be identified in the masterplan or other work undertaken by the Licensee pursuant to its activities under this licence.
 7. Subject to coordination with relevant stakeholders and the agreement of the CAA, the Licensee may provide support to airspace change proposals proposed by other bodies where other bodies are designated as responsible for such airspace change proposals in the masterplan
 8. The Licensee shall encourage such sponsors to follow the coordinated programme plan in the masterplan including, where appropriate, providing advice and coordination to sponsors on the **development and** implementation of the airspace changes identified in the masterplan.
 9. The Licensee shall periodically update the masterplan as reasonably requested by the CAA. ~~and the Licensee shall provide a report to the CAA and the DfT on progress against the masterplan and related activities on 1 November each year and at any time it is requested to do so by the CAA.~~
 10. **The Licensee shall provide a high-level report to the CAA and the Secretary of State on progress against the delivery of the AMS initiatives or equivalent provisions (in the Airspace Modernisation Strategy CAP 1711 or any successor publication) it is responsible for reporting under the Airspace Modernisation Strategy on 1 November each year and at any other time it is required to do so by the CAA. The CAA may from time to time specify the format of such reports which shall include, as a minimum, the following information for each of the initiatives of the Airspace Modernisation Strategy:**
 - a. progress made during the preceding reporting period, including any key issues that may have arisen and the actions taken to address such issues;
 - b. stakeholder engagement activities undertaken during the preceding reporting period;
 - c. current schedule of anticipated events and milestones;
 - d. key risks and dependencies for the subsequent reporting period;
 - e. opportunities identified to optimise programme delivery; and
 - f. progress towards achieving the benefits of airspace modernisation as set out in the Airspace Modernisation Strategy.

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11. The Licensee shall report quarterly, or at an alternative period to be agreed with the CAA, on the costs incurred on the deliverables and associated activities of the ACOG. The CAA may from time to time specify the format of such reports which shall include, as a minimum, the following information:
1. level and nature of costs incurred to date in the reporting period, including staff costs, and updated forecasts for the remainder of the reporting period; and
 2. the information in paragraphs 10 a to f, subject to the modification that any references to “reporting period” are to be read as references to the “quarter”.
12. The Licensee shall be responsible for other activities identified in the Airspace Modernisation Strategy which the Licensee is required to undertake pursuant to legislation.

Condition 18: Payment of fees [not used intentionally blank]

The entire text of the Condition to be deleted.

Condition 20: Price control decisions: definitions

- “Determined Costs”** means the costs calculated in accordance with the determined cost method in the Eurocontrol Principles (paragraph 1.3.2).
- “Eurocontrol Principles”** means “Principles for Establishing the Cost-Base for En-Route Charges and the Calculation of the Unit Rates” (as in force at the relevant time), published by Eurocontrol’s Central Route Charges Office. English language version published in January 2020.
- “NR23 Regulatory Period”** means the period from 1 January 2023 to 31 December 2027 (inclusive).
- “Reference Period”** means, as appropriate, the first reference period established under Commission Regulation (EU) No 691/2010, namely 1 January 2012 to 31 December 2014, or the second reference period established under Commission Regulation (EU) No 390/2013, namely 1 January 2015 to 31 December 2019, or the third reference period established under Commission Regulation (EU) No 2019/317, namely 1 January 2020

to 31 December 2024 2022, or the reference period from 1 January 2023 to 31 December 2027 (defined as “NR23 Regulatory Period” above).

Condition 21: Control of Eurocontrol service charges

1. Without prejudice to Condition 25 (Suspension and Modification of Charge Control Conditions), for each Eurocontrol Relevant Year beginning on 1 January ~~2020, 2021 and 2022~~ **2023, 2024, 2025, 2026 and 2027**, the maximum Permitted Average Charge Per Service Unit shall be calculated as follows:

$$\frac{DC_t + INF_t + ReS_t + TRS_t + CSM_t + FI_t + MOD_t + TVar_t + TUR_t - VFR_t - INEA_t - FAS_t + TRSRecovery_t + PP_t + TRSRecoveryINF_t}{ForecastTSU_t} \times Discount_t$$

Where:

Maximum Charge _t	means the Maximum Permitted Average Charge Per Service Unit in Eurocontrol Relevant Year t (for 2023, 2024, 2025, 2026 or 2027).	
DC _t	means the determined costs, expressed in nominal terms for relevant year t.	
	Year t	(£)
	2021	674,270,832
	2022	688,739,423
	2023	758,911,570
	2024	770,018,585
	2025	696,737,422
	2026	720,194,961
	2027	729,122,193
INF _t	means the adjustment in relevant year t of the difference between forecasted and actual inflation in relevant year t-2 in respect of Determined Costs (DC) , calculated in accordance with Paragraph 3 of this condition.	
INEA _t	means any assistance provided by the Innovation and Networks Executive Agency (INEA) or other similar public funding in relevant year t, where funding is to be returned to users via a specific unit rate reduction as calculated and agreed with the CAA.	
ReS _t	means the authorised restructuring costs in relevant year t authorised in accordance with Article 2(18) of Commission Implementing Regulation (EU) No 2019/317 . For all years t = 2023, 2024, 2025, 2026 and 2027 , ReS _t = 0	
TRS _t	means the Traffic Risk Sharing element from previous years calculated in accordance with Paragraph 4 of this condition.	

CSM _t	means the carry-overs from the previous reference period, <u>expressed in nominal terms for relevant year t</u> , resulting from the implementation of the cost sharing mechanism referred to in Article 14 of Commission Implementing Regulation (EU) No 391/2013 <u>paragraphs 3.3.4.1 – 3.3.4.4 of Eurocontrol Principles</u> ;	
	Year t	CSM _t (£)
	2023	9,151,506
	2024	7,789,839
	2025	4,736,374
	2026	4,687,164
2027	4,683,464	
Fl _t	means the Financial Incentives relating to performance as calculated in accordance with Paragraphs 7-18 of this condition.	
MOD _t	means the over-or under-recoveries that may result from the modulation of air navigation charges in application of Article 16 of Commission Implementing Regulation (EU) No 2019/317 <u>the modulation mechanism under paragraph 3.4.2 of the Eurocontrol Principles</u> .	
TVar _t	means the over-or under-recoveries resulting from traffic variations as defined in Paragraph 5 of this condition.	
TUR _t	means the over-or under-recoveries resulting from the application of a temporary unit rate in accordance with Paragraph 19 of this condition.	
VFR _t	means the expected cost of services to traffic operating under Visual Flight Rules in relevant year t. For all years t = 2023, 2024, 2025, 2026 and 2027, VFR _t = 0	
<u>TRSR_{recovery,t}</u>	means the TRS recovery adjustment in respect of 2020, 2021 and 2022, expressed in nominal terms for relevant year t, established at the beginning of the NR23 Regulatory Period as follows:	
	Year t	TRS recovery (£)
	2023	93,319,902
	2024	94,376,636
	2025	95,358,895
	2026	97,675,569
2027	100,577,838	
TRSR _{recovery,INF,t}	means the adjustment in relevant year t of the difference between forecasted and actual inflation in relevant year t-2 in respect of the TRS Recovery adjustment for 2020-2022, calculated in accordance with Paragraph 3A of this condition.	

PP _t	means the pricing profile adjustment, expressed in nominal terms for relevant year t, established at the beginning of the NR23 Regulatory Period as follows:	
	Year t	PP (£)
	2023	0
	2024	-144,703,637
	2025	56,495,619
	2026	43,488,105
	2027	58,976,260
DISCOUNT _t	means an adjustment to the maximum charge per Total Service Unit in relevant year t where the Licensee at its own discretion decides to recover less than it would otherwise be allowed to recover and has declared to the CAA that it will not pursue this as under-recovery in subsequent years.	
ForecastTSU _t	means the forecast of Total Service Units for relevant year t established at the beginning of the reference period as follows:	
	Year t	TSU
	2021	12,891,000
	2022	13,183,000
	2023	11,956,000
	2024	12,930,000
	2025	13,247,000
	2026	13,490,000
	2027	13,700,000
Total Service Units (TSUs)	means the route service units calculated in accordance with Annex IV of Commission Implementing Regulation (EC) No 2019/317 Eurocontrol's Central Route Charges Office's Conditions of Application of the Route Charges System and Conditions of Payment as amended from time to time <i>including</i> the service units relating to military exempt flights.	

Inflation Assumptions

2. The forecast values of the inflation index referenced in paragraph 3 shall be as follows:

FHICP _t	means the reference values of the HICP (all items) index forecast values of the index of consumer prices in respect of the UK for Eurocontrol Relevant Year t established prior to the control period, consistent with the projections in nominal prices (the index base used is 2012 2017 =100 up to 2019 2022 and 2017 2020 =100 thereafter), which shall be:		
	Year t	Index (base 2017 = 100)	Index (base 2020 = 100)
	2020	106.44	100.00
	2021	108.57	102.58
	2022	110.74	111.87
	2023		118.73
	2024		119.75
	2025		119.89
	2026		120.49
	2027		122.38

Inflation Adjustment

3. The adjustment of the difference between forecasted and actual inflation **in respect of Determined Costs** shall be calculated as follows:

For t = 2023, 2024, 2025, 2026 and 2027 ,	
$INF_t = DC_{t-2} \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$	
Where HICP _{t-2} is calculated as follows:	
Year t-2	Calculation
2021	107.9
2022	117.7
2023	$HICP_{2023} = 111.9 \times (1 + Inflation_{2023})$
2024	$HICP_{2024} = HICP_{2023} \times (1 + Inflation_{2024})$
2025	$HICP_{2025} = HICP_{2024} \times (1 + Inflation_{2025})$
2026	$HICP_{2026} = HICP_{2025} \times (1 + Inflation_{2026})$
2027	$HICP_{2027} = HICP_{2026} \times (1 + Inflation_{2027})$
Where:	

Inflation _t	means the annual average inflation rate (to one decimal place) in respect of calendar year t published by the UK Office for National Statistics (ONS) calculated from its Consumer Price Index (CPI) which is based on the harmonised consumer price inflation methodology developed by Eurostat. produced by Eurostat in the Harmonised Index of Consumer Prices in respect of calendar year t as published by Eurostat in April of year t+1 (the published rate of inflation is rounded to one significant place of decimals).
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Inflation Adjustment for TRS Recovery_t

3A. The adjustment of the difference between forecasted and actual inflation in respect of the TRS Recovery adjustment for 2020-2022 shall be calculated as follows:

For t = 2025, 2026 and 2027,	
$TRSRecoveryINF_t = TRSRecovery_{t-2} \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$	
Where:	
FHICP _{t-2}	has the meaning defined in paragraph 2
HICP _{t-2}	has the meaning defined in paragraph 3

Traffic Risk Sharing

4. ~~Article 13 of Commission Implementing Regulation (EU) No 2010/317 sets out the basis of traffic risk sharing.~~ Traffic Risk Sharing (TRS_t) shall be calculated as follows:

For t = 2020, 2021 and 2022	2023, 2024, 2025, 2026 and 2027
$TRS_t = RSF_{t-2} \times DC_{t-2}$	
For t = 2022	
TRS ₂₀₂₂ = 0	
Where	
TRS ₂₀₂₃ and TRS ₂₀₂₄ equal zero	
$TRS_{2025} = 0.056 \times DC_{2023}, \text{ where } \frac{ActualTSU_{2023}}{ForecastTSU_{2023}} < 0.90, \text{ or otherwise}$	
$TRS_{2025} = RSF_{2023} \times DC_{2023}$	
$TRS_{2026} =$	
$0.5 \times \left[-\left(\frac{ActualTSU_{2023}}{ForecastTSU_{2023}} - 0.90 \right) \times DC_{2023} \right], \text{ where } \frac{ActualTSU_{2023}}{ForecastTSU_{2023}} < 0.90, \text{ otherwise}$	

zero

plus either:

$0.056 \times DC_{2024}$, where $\frac{ActualTSU_{2024}}{ForecastTSU_{2024}} < 0.90$, or otherwise $RSF_{2024} \times DC_{2024}$

$TRS_{2027} =$

$0.5 \times \left[-\left(\frac{ActualTSU_{2023}}{ForecastTSU_{2023}} - 0.90\right) \times DC_{2023} \right]$, where $\frac{ActualTSU_{2023}}{ForecastTSU_{2023}} < 0.90$, otherwise

zero

plus

$0.5 \times \left[-\left(\frac{ActualTSU_{2024}}{ForecastTSU_{2024}} - 0.90\right) \times DC_{2024} \right]$, where $\frac{ActualTSU_{2024}}{ForecastTSU_{2024}} < 0.90$, otherwise

zero

plus either:

$0.056 \times DC_{2025}$, where $\frac{ActualTSU_{2025}}{ForecastTSU_{2025}} < 0.90$, or otherwise $RSF_{2025} \times DC_{2025}$

Where:

	DC_{t-2}	has the meaning in Paragraph 1 of this condition.
And	RSF_{t-2}	means the risk sharing factor relating to Eurocontrol Relevant Year t-2 based on the actual number of Total Service Units which shall be calculated as follows:
	Where:	$0.98 \leq \frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} \leq 1.02$ $RSF_{t-2} = 0$
	Where:	$1.02 \leq \frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} \leq 1.10$ $RSF_{t-2} = -0.7 \left[\frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} - 1.02 \right]$
	Where:	$0.90 \leq \frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} \leq 0.98$ $RSF_{t-2} = -0.7 \left[\frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} - 0.98 \right]$
	Where:	$\frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} < 0.90$ $RSF_{t-2} = -\left[\frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} - 0.90 \right] + 0.056$
	Where:	$\frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} > 1.10$ $RSF_{t-2} = -\left[\frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} - 1.10 \right] - 0.056$
Where:	$ActualTSU_{t-2}$	means the actual level of Total Service Units for

		relevant year t-2 published by Eurocontrol.
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Correction of INF and TRS Adjustments for Subsequent Traffic Variations (TVar)

5. The TVar component shall be calculated as follows:

TVar _t	<p>is an adjustment to allow for variations between actual and forecast TSUs in the year that a correction originally takes place.</p> <p>For t = 2020, 2021 and 2022 2023, 2024, 2025, 2026 and 2027</p> $TVar_t = (INF_{t-2} + TRS_{t-2} + CSM_{t-2} + TUR_{t-2} + INEA_{t-2} + FAS_{t-2} + FI_{t-2} + TVar_{t-2} + TRSRecovery_{t-2} + PP_{t-2} + TRSRecoveryINF_{t-2}) \times \left(1 - \frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}}\right)$
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Calculation of Capacity Target (C1)

6. The C1 (capacity target) shall be calculated as follows:

C1 _t	<p>means the average minutes of en route air traffic flow management (ATFM) delay in relevant year t.</p> <p>Where:</p> $C1_t = \frac{EnRouteDelay_t}{Flights_t}$	
EnRouteDelay _t	<p>means the en route ATFM flight delay from all causes which has been attributed by Eurocontrol to the UK in relevant year t, in seconds.</p>	
Flights _t	<p>means the STATFOR determined count of all IFR flights for the UK for year t.</p> <p>For the avoidance of doubt these include flights which depart or arrive at airports in the UK or which overfly the UK FIR</p>	
C1 Target _t	<p>means the target set in the performance plan which have the following values:</p>	
	Year t	C1 Target _t
	2023	12.29
	2024	12.79
	2025	12.79
	2026	12.79

	2027	12.79
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Calculation of financial incentives (FI)

7. Financial incentives for capacity and environment performance shall be calculated as follows:

For FI₂₀₂₀ and FI₂₀₂₁ FI₂₀₂₃ and FI₂₀₂₄	FI₂₀₂₀ and FI₂₀₂₁ FI₂₀₂₃ and FI₂₀₂₄ shall have meanings set out in Paragraph 18 of this condition with reference to Condition 21 of the Air Traffic Services Licence for NATS En Route plc which was in effect on 1 January 2019 2022 .		
For FI₂₀₂₂, FI₂₀₂₃, and FI₂₀₂₄ FI₂₀₂₅, FI₂₀₂₆, FI₂₀₂₇, FI₂₀₂₈, and FI₂₀₂₉	$FI_t = FC2_{t-2} + FC3_{t-2} + FC4_{t-2} + F3DI_{t-2}$		
	For the year t=2022, FI₂₀₂₂ = 0 For the year t=2023, FI₂₀₂₃=0 For the year t=2024, FI₂₀₂₄=0		
Where:	FC2 _{t-2}	means the financial incentive for the C2 measure of NERL's contribution to FAB performance for relevant year t-2 as defined at Paragraph 8 of this condition.	
	FC3 _{t-2}	means the financial incentive from the C3 Impact Score for relevant year t-2 as defined at Paragraph 9 of this condition.	
	FC4 _{t-2}	means the financial incentive from the C4 Daily Excess Delay Score for relevant year t-2 as defined at Paragraph 12 of this condition.	
	F3DI _{t-2}	means the element of financial incentives relating to measure 3Di for relevant year t-2 as calculated in Paragraph 16 of this condition.	
In respect of all the elements of the Financial Incentives:			
Licensee Attributable En Route ATFM Delay	means En Route ATFM Delay attributed by Eurocontrol which meet the regulation cause and regulation location in the following tables:		
	Regulation Cause	NM Code	Regulation Location
	ATC Capacity	C	En route
	ATC Routings	R	En route

	ATC Staffing	S	En route
	ATC Equipment	T	En route
	Military	M	En route
	Special Event	P	En route
En Route ATFM Delay	means en route air traffic flow management (ATFM) delay calculated by Eurocontrol the Network Manager of ATFM as defined in Commission Regulation (EC) No 255/2010 on ATFM and expressed as the difference between the take-off time requested by the aircraft operator in the last submitted flight plan and the calculated take-off time allocated by Eurocontrol . the Network Manager .		
	FLT _{t-2}	means the Network Manager (STATFOR) determined count of all IFR flights for the UK for year t-2.	

Calculation of FC2

8. For the purpose of Paragraph 7, the term FC2_{t-2} shall be calculated in accordance with the following formulae where Eurocontrol relevant years t-2 are ~~2020, 2021 and 2022~~**2023, 2024, 2025, 2026 and 2027** (relating to penalties or bonuses in ~~2022, 2023 and 2024~~**2025, 2026, 2027, 2028 and 2029** respectively).

FC2 _{t-2}	<p>If $C2_{t-2} > 1.15 \times C2\text{TargetParValue}_{t-2}$ (where $1.15 \times C2\text{TargetParValue}_{t-2}$ is rounded to 2 decimal places significant figures.)</p> $FC2_{t-2} = - \text{MIN} \left[\left(\frac{C2_{t-2} / C2\text{Target}_{t-2} - 1.15}{0.4} \right) \times (0.0025 \times \text{REVDC}_{t-2}), (0.0025 \times \text{REVDC}_{t-2}) \right]$
	<p>If $C2_{t-2} < 0.85 \times C2\text{TargetParValue}_{t-2}$ (where $0.85 \times C2\text{TargetParValue}_{t-2}$ is rounded to 2 decimal places significant figures.)</p> $FC2_{t-2} = + \text{MIN} \left[\left(\frac{0.85 - C2_{t-2} / C2\text{Target}_{t-2}}{0.4} \right) \times (0.0005 \times \text{REVDC}_{t-2}), (0.0005 \times \text{REVDC}_{t-2}) \right]$
	Otherwise FC2 _{t-2} = 0
C2 _{t-2}	<p>means the average minutes of en route ATFM delay in relevant year t, in seconds.</p> $C2_{t-2} = \frac{\text{Licensee Attributable En Route ATFM Delay}_{t-2}}{FLT_{t-2}}$ <p>Where: Licensee Attributable En Route ATFM Delay_{t-2} has the meaning in Paragraph 7 of this condition; and</p>

	FLT _{t-2} has the meaning in Paragraph 7 of this Condition.
C2ParValue_{t-2}	means the par values for C2 which have the following values in the relevant years: t-2 = 2020 C2ParValue _{t-2} = 0.2 t-2 = 2021 and 2022 $C2ParValue_{t-2} = 0.25$
C2Target _{t-2}	means the traffic-adjusted target for the C2 measure as defined at Paragraph 8A of this condition
REV_{t-2}	means the revenues from that part of the charges paid to Eurocontrol by users which is reimbursed to the United Kingdom and relates to services provided by the Licensee in year t-2. Where: REV_{t-2} = Maximum Charge_{t-2} x ActualTSU_{t-2} —Where Maximum Charge _{t-2} and ActualTSU _{t-2} have the meanings in Paragraphs 1 and 4 respectively of this condition.

8A. Calculation of C2 measure

Where	$LFT_{t-2} \leq FLT_{t-2} \leq UFT_{t-2}$
	$C2Target_{t-2} = C2ParValue_{t-2}$
where	$LFT_{t-2} > FLT_{t-2}$
	$C2Target_{t-2} = C2ParValue_{t-2} \times \left(1 + \frac{(5 \times (FLT_{t-2} - LFT_{t-2}))}{LFT_{t-2}}\right)$
where	$FLT_{t-2} > UFT_{t-2}$
	$C2Target_{t-2} = C2ParValue_{t-2} \times \left(1 + \frac{(5 \times (FLT_{t-2} - UFT_{t-2}))}{UFT_{t-2}}\right)$
Where:	
FLT _{t-2}	has the meaning in Paragraph 7.
LFT _{t-2}	$LFT_{t-2} = 0.96 \times FFlight_{t-2}$
UFT _{t-2}	$UFT_{t-2} = 1.04 \times FFlight_{t-2}$
C2ParValue _{t-2}	means the par values for C2 which have the following values in

		<p>the relevant years:</p> <p>where t-2 = 2023, C2ParValue_{t-2} = 8.45</p> <p>where t-2 = 2024, 2025, 2026 and 2027, C2ParValue_{t-2} = 8.95</p>												
FFlight _{t-2}		<p>means the forecast of flights for relevant year t established at the beginning of the NR23 Regulatory Period as set out as follows:</p> <table border="1"> <thead> <tr> <th>t-2</th> <th>FFlight_{t-2}</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>2,422,000</td> </tr> <tr> <td>2024</td> <td>2,561,000</td> </tr> <tr> <td>2025</td> <td>2,608,000</td> </tr> <tr> <td>2026</td> <td>2,644,000</td> </tr> <tr> <td>2027</td> <td>2,673,000</td> </tr> </tbody> </table>	t-2	FFlight _{t-2}	2023	2,422,000	2024	2,561,000	2025	2,608,000	2026	2,644,000	2027	2,673,000
t-2	FFlight _{t-2}													
2023	2,422,000													
2024	2,561,000													
2025	2,608,000													
2026	2,644,000													
2027	2,673,000													

Calculation of FC3

9. FC3 is the financial incentive relating to C3 (an Impact Score placing greater weight on long delays and departures in the morning and the evening peaks).

For the purpose of Paragraph 7, the term FC3_{t-2} shall be calculated in accordance with the following formulae where Eurocontrol relevant years t-2 are ~~2020, 2021 and 2022~~2023, 2024, 2025, 2026 and 2027 (relating to penalties or bonuses in ~~2022, 2023 and 2024~~2025, 2026, 2027, 2028 and 2029 respectively).

FC3 _{t-2}	<p>If $C3_{t-2} > 1.2 \times C3UpperTarget_{t-2}$ (where $1.2 \times C3Target_{t-2}$ is rounded to 2 decimal places)</p> <p>$FC3_{t-2} = -MIN [(C3PenRate_{t-2} ((C3_{t-2} - (1.2 \times C3UpperTarget_{t-2}))) FLT_{t-2}), 0.0075 \times REVDC_{t-2}]$</p> <p>If $C3_{t-2} < C3Lower_{t-2}$ $C3_{t-2} < 0.8 \times C3LowerTarget_{t-2}$ (where $0.8 \times C3Target_{t-2}$ is rounded to 2 decimal places)</p> <p>$FC3_{t-2} = +MIN [(C3BonusRate_{t-2} (((0.8 \times C3LowerTarget_{t-2}) - C3_{t-2})) FLT_{t-2}), 0.0025 \times REVDC_{t-2}]$</p> <p>Otherwise, FC3_{t-2} = 0</p>
Where:	
C3 _{t-2}	is defined in Paragraph 10.
C3PenRate _{t-2}	means the penalty rate for the reduction of revenues relating to the C3 score in Eurocontrol relevant year t-2 (to take effect in relevant year t) calculated as follows:

	$C3PenRate_{t-2} = \text{£}0.117 \times \frac{HICP_{t-2}}{100}$
C3BonusRate _{t-2}	means the bonus rate for the reduction of revenues relating to the C3 score in Eurocontrol relevant year t-2 (to take effect in relevant year t) $C3BonusRate_{t-2} = \text{£}0.059 \times \frac{HICP_{t-2}}{100}$
C3Upper _{t-2} C3Target _{t-2}	is the value of the C3 score in Eurocontrol relevant year t-2 above which a penalty becomes payable and below which a bonus becomes payable calculated in Paragraph 11.
C3Lower _{t-2}	is the value of the C3 score in Eurocontrol relevant year t-2 below which a bonus becomes payable calculated in Paragraph 11.

The Calculation of C3_{t-2}

10. C3_{t-2} shall be calculated as follows:

C3 _{t-2}	$C3_{t-2} = \frac{\sum w_{p,b} d_{p,b}}{FLT_{t-2}}$ For all flights in year t-2	
Where:	Where p denotes that each flight in relevant year t-2 shall be considered as falling into one of three periods:	
	Morning Peak (p=1)	means flights in relevant year t-2 with an off-block estimated time ≥ 0400 and < 0800 UTC in Summer (April –October inclusive) and between ≥0500 and < 0900 UTC in Winter (January -March inclusive and November-December inclusive).
	Evening Peak (p=2)	means flights in relevant year t-2 with an off-block estimated time ≥ 1500 and < 1900 UTC in Summer (April –October inclusive) and ≥ 1600 and < 2000 UTC in Winter (January-March inclusive and November-December inclusive).
	Other (p=3)	means flights in relevant year t-2 with an off-block estimated block time not in the morning peak and not in the evening peak.
And	b denotes bands of delay for each flight where:	
	$b = d_{p,1}$	means the Licensee Attributable En Route ATFM Delay for each flight in seconds up to and including 15 minutes per flight in relevant year t-2 of flights which fall into relevant period p as defined above.

	$b = d_{p,2}$	means the Licensee Attributable En Route ATFM Delay in seconds over 15 minutes but less than or equal to 30 minutes per flight in relevant year t-2 of flights which fall into relevant period p as defined above.		
	$b = d_{p,3}$	means the Licensee Attributable En Route ATFM Delay in seconds over 30 minutes but less than or equal to 60 minutes per flight in relevant year t-2 of flights which fall into relevant period p as defined above.		
	$b = d_{p,4}$	means the Licensee Attributable En Route ATFM Delay in seconds over 60 minutes per flight in relevant year t-2 of flights which fall into relevant period p as defined above.		
	$w_{p,b}$	means the weighting to be applied to bands of delay b for each flight subject to the period of the flight p where the weightings applied shall be:		
		p=1 Morning Peak Period	p=2 Evening Peak Period	p=3 Other Times
	b=1 (Delay > 0 and <=15 minutes)	3	2	1
	b =2 (Delay >15 and <= 30 minutes)	6	3	2
	b =3 (Delay >30 and <= 60 minutes)	9	6	3
	b =4 (Delay >60 minutes)	18	9	6

Definition of Thresholds at which Bonuses or Penalties for C3_{t-2} become payable

11. The thresholds for bonuses or penalties shall be calculated as follows:

Where	$LFT_{t-2} \leq FLT_{t-2} \leq UFT_{t-2}$	
		$C3Upper_{t-2} = jt$ $C3Lower_{t-2} = kt$ $C3Target_{t-2} = C3ParValue_{t-2}$
where	$LFT_{t-2} > FLT_{t-2}$	
		$C3Upper_{t-2} = jt \left(1 + \frac{5(FLT_{t-2} - LFT_{t-2})}{LFT_{t-2}} \right)$
		$C3Lower_{t-2} = kt \left(1 + \frac{5(FLT_{t-2} - LFT_{t-2})}{LFT_{t-2}} \right)$ $C3Target_{t-2} = C3ParValue_{t-2} \times \left(1 + \frac{5 \times (FLT_{t-2} - LFT_{t-2})}{LFT_{t-2}} \right)$
Where	<p>j_t and k_t are m_t is a factor for each year based on C2 values (as defined in Paragraph 8). $\times 60 \times 2$ for Upper Threshold (j_t) and $j_t \times 2/3$ for Lower Threshold.</p> <p>If $t = 2020$2023, $j_t=24$ and $k_t=16$ $C3ParValue_t = 14.08$</p> <p>If $t = 2021$ or 20222024, 2025, 2026, or 2027, $j_t=30$ and $k_t=20$ $C3ParValue_t = 14.92$</p>	
where	$FLT_{t-2} > UFT_{t-2}$	
		$C3Upper_{t-2} = jt \left(1 + \frac{5(FLT_{t-2} - UFT_{t-2})}{UFT_{t-2}} \right)$
		$C3Lower_{t-2} = kt \left(1 + \frac{5(FLT_{t-2} - UFT_{t-2})}{UFT_{t-2}} \right)$ $C3Target_{t-2} = C3ParValue_{t-2} \times \left(1 + \frac{5 \times (FLT_{t-2} - UFT_{t-2})}{UFT_{t-2}} \right)$
Where:		
FLT_{t-2}	has the meaning in Paragraph 7.	
LFT_{t-2}	$LFT_{t-2} = 0.96 \times FFlight_{t-2}$	
UFT_{t-2}	$UFT_{t-2} = 1.04 \times FFlight_{t-2}$	
$FFlight_{t-2}$	means the forecast of flights for relevant year t established at the beginning of the reference period as set out as follows:	

	t-2	FFlight _{t-2}
	2020	2,649,000
	2021	2,686,000
	2022	2,737,000

Calculation of FC4

12. FC4 is the financial incentive relating to C4 (a daily excess delay score based on weighted delays exceeding pre-determined thresholds on a daily basis).

For the purpose of Paragraph 7, FC4_{t-2} shall be calculated in accordance with the following formulae, where Eurocontrol relevant years t-2 are 2023, 2024, 2025, 2026 and 2027 (relating to penalties or bonuses in 2025, 2026, 2027, 2028 and 2029 respectively):

Where:	$C4_{t-2} \geq 1800$	
	$FC4_{t-2} = -MIN[C4PenRate_{t-2} \times (C4_{t-2} - 1800) \times FLT_{t-2}, 0.0025 \times REVDC_{t-2}]$	
Where:	$C4_{t-2} < 1800$	
	$FC4_{t-2} = 0$	
Where:	C4 _{t-2}	means the annual sum of the weighted daily excess delay score calculated as set out in Paragraph 13.
	C4PenRate _{t-2}	means the penalty rate for the reduction of revenues relating to the C4 score in Eurocontrol relevant year t-2 (to take effect in relevant year t) calculated as follows:
		$C4PenRate_{t-2} = 0.00183265 \times \frac{HICP_{t-2}}{100}$

Calculation of C4

13. C4_{t-2} shall be calculated as follows subject to the exemption in Paragraph 15:

C4 _{t-2}	= C4DailyScore _d for all days in year t-2 except where an exemption applies as defined in Paragraph 15.
Where:	d is a day in the months January to March inclusive or November to December inclusive:

	Where:	$\frac{DT1_d}{DailyFlights_d} \leq 40$
	then	$C4DailyScore_d = 0$
	Where:	$40 < \frac{DT1_d}{DailyFlights_d} \leq 80$
	then	$C4DailyScore_d = \frac{DT1_d}{DailyFlights_d} - 40$
	Where:	$\frac{DT1_d}{DailyFlights_d} > 80$
		$C4DailyScore_d = 40 + 2 \left(\frac{DT1_d}{DailyFlights_d} - 80 \right)$
Where:	d is a day in the months April to October inclusive.	
	Where	$\frac{DT1_d}{DailyFlights_d} \leq 60$
	then	$C4DailyScore_d = 0$
	Where	$60 < \frac{DT1_d}{DailyFlights_d} \leq 110$
	then	$C4DailyScore_d = \frac{DT1_d}{DailyFlights_d} - 60$
	Where	$110 < \frac{DT1_d}{DailyFlights_d}$
	then	$C4DailyScore_d = 50 + 2 \left(\frac{DT1_d}{DailyFlights_d} - 110 \right)$
Where:	$DT1_d$	means total Licensee Attributable En Route ATFM Delay in seconds on day d.
	$DailyFlights_d$	means the actual aggregate number of flights on day d to be calculated by reliance on figures of chargeable flights reported to the CAA by the Network Manager (STATFOR).

Mitigation of C3_{t-2} or C4_{t-2} scores for equipment failure

14. On days where both the following two conditions apply:
- the scores relate to a day for which the relevant $C4DailyScore_d$ as calculated in Paragraph 13 is greater than zero; and

- there is a C3 score relating to Licensee Attributable to En Route ATFM recorded as equipment failure greater than zero.

The following mitigation should apply:

If:	$C3PenRate_{t-2} (C3_d) DailyFlights_d >$ $C4PenRate_{t-2} (C4DailyScore_d) FLT_{t-2}$	
then:	for day d, the C3 numerator for all NERL attributable cause codes shall be included in the annual FC3 penalty or bonus term, the C4 score shall be excluded from the calculation of the annual FC4 _t penalty or bonus.	
If:	$C3PenRate_{t-2} (C3_d) DailyFlights_d \leq$ $C4PenRate_{t-2} (C4DailyScore_d) FLT_{t-2}$	
then:	for day d the C3 numerator for all the Licensee attributable technical cause codes shall be excluded from the annual FC3 penalty or bonus term; the C4 score shall be included in the annual FC4 _t penalty or bonus term.	
Where:	C3PenRate _{t-2}	has the meaning in Paragraph 9.
	DailyFights _d	has the meaning in Paragraph 13.
	C4PenRate _{t-2}	has the meaning in Paragraph 12.
	C4DailyScore _d	has the meaning in Paragraph 13.
	FLT _{t-2}	has the meaning in Paragraph 7.
	C3 _d	has the following meaning: $C3_d = \frac{\sum w_{p,b} d_{p,b}}{DailyFlights_d}$ for all flights in day d Where: $\sum w_{p,b} d_{p,b}$ has the meaning in Paragraph 10.

For the avoidance of doubt the C3 and C4 measures are based on different units and the estimation of the penalty for each in the tests above requires the different parameters as specified.

Exemptions for C3_{t-2} and C4_{t-2} in respect of Major Changes in Operations

- C3 weighted delays and C4 Daily scores for the relevant day shall not be counted for the purposes of calculating C3_{t-2} or C4_{t-2} where all the following conditions apply:
 - The day falls into a period designated by the Licensee in advance as a period when major new systems or airspace changes are being implemented and transitioned into the operation;

- Users have been notified and consulted in advance over the timing of such exemptions under currently existing consultation mechanisms (e.g. the Service and Investment Plan (SIP)) or targeted consultation;
- The total number of days falling into such periods designated by the Licensee shall not exceed ~~60~~**100** in aggregate for the period of the ~~five~~**three**-Eurocontrol relevant years ~~2020 to 2022~~**2023 to 2027** inclusive, considered as a whole;
- The length of any given transition period should be limited to three weeks (unless otherwise agreed with users) and will be agreed in advance as well as the amount of days from the overall cap that the Licensee wishes to use towards this transition;
- The number of days agreed during the consultation will be fixed (unless subsequently revised with the agreement of users) but the particular exempt days within the agreed transition period would not need to be specified as part of the consultation;
- The Licensee will carry out the transition by means of the detailed steps and timing that are most operationally practical. The Licensee will nominate the exempt days ex-post (up to the pre-agreed maximum) for the transitional period;
- If at the end of the transition period the Licensee does not use the pre-agreed amount of exempt days, these will still count against the overall ~~60~~**100** day cap (i.e. the Licensee cannot roll over unused exclusions).

Calculation of the Flight Efficiency Incentive (F3Di)

16. For the purpose of Paragraph 7, the term $F3DI_{t-2}$ shall be calculated in accordance with the following formulae where relevant years t-2 are ~~2020, 2021 and 2022~~**2023, 2024, 2025, 2026 and 2027** (relating to penalties or bonuses in ~~2022 and 2023 and 2024~~**2025, 2026, 2027, 2028 and 2029** respectively):

$3DI_{t-2}$	means the average 3Di score for all flights for year t-2 as calculated by NERL in accordance with the 3Di score method FEM calculation protocol .	
Where:	$3DI_{t-2} > 3DIUpper_{t-2}$	
	Then	$F3DI_{t-2} = -MIN [3DIPenRate_{t-2} (3DI_{t-2} - 3DIUpper_{t-2}), REVDC_{t-2} \times 0.005]$
Where:	$3DI_{t-2} < 3DILower_{t-2}$	
	Then	$F3DI_{t-2} = MIN [3DIBonusRate_{t-2} (3DILower_{t-2} - 3DI_{t-2}), REVDC_{t-2} \times 0.005]$
Where:	$3DIUpper_{t-2}$	is the upper deadband limit on the flight efficiency metric in year t-2; and
	$3DILower_{t-2}$	is the lower deadband limit on the flight efficiency metric in year t-2:

		which shall be calculated in accordance with:		
		t-2	3DILower_{t-2}	3DIUpper_{t-2}
		2023	26.21	28.97
		2024	25.64	28.34
		2025	25.13	27.77
		2026	24.61	27.21
		2027	24.06	26.60
	3DIPenRate_{t-2}	Is the penalty rate in year t-2 = 3DI Bonus Rate _{t-2}		
	3DIBonusRate_{t-2}	Is the bonus rate in year t-2 which is calculated as follows:		
		t-2	3DIBonusRate_{t-2}	
		2023	$(0.005 \times DC_{2023}) / 5.52$	
		2024	$(0.005 \times DC_{2024}) / 5.40$	
		2025	$(0.005 \times DC_{2025}) / 5.29$	
		2026	$(0.005 \times DC_{2026}) / 5.18$	
		2027	$(0.005 \times DC_{2027}) / 5.07$	

17. **[Intentionally left blank]** For the avoidance of doubt, the treatment of C2, C3, C4 and 3DI occurring in 2018 and 2019 will be subject to review before the end of Relevant Year 2019 under the provisions of Commission Implementing Regulation (EU) No 390/2013 and the provisions of sections 11 to 19 of the Transport Act 2000. (Subject to those provisions, the CAA would expect to take the performance in 2018 and 2019 into account in the charges for subsequent years as if this condition applied to charges in 2020 and 2021

18. Financial Incentives Carried Forward From ~~RP1~~**RP3**

In respect of charges in year 2020 2023		
$FI_{2023} = 0$		
In respect of charges in year 2021 2024		
$FI_{2024} = 0$		
Where:		
FC2₂₀₁₈	FC2₂₀₁₉	have the meanings defined in Condition 21 of the Air Traffic Services Licence for NATS En-Route plc which was in effect on 1 January 2019.
FC3₂₀₁₈	FC3₂₀₁₉	
FC4₂₀₁₈	FC4₂₀₁₉	
F3DI₂₀₁₈	F3DI₂₀₁₉	

Temporary unit rate adjustment

19. This is an adjustment for differences in revenue resulting from the temporary application of the initial ~~2020~~2023 unit rate, **given that the modifications of this condition have taken place after the start of 2023.** ~~that will be applied to the year 2022, due to the difference between CAA's RP3 determination and the CMA's final decision on price controls for 2020 to 2022~~ Initial unit rate means the unit rate initially **charged in 2023 based on the CAA NR23 Initial Proposals (CAP2394).** ~~charged based on CAA's RP3 determination.~~ The revised unit rate means the unit rate charged based **on the CAA NR23 final decision.** ~~the CMA's final decision on price controls for 2020 to 2022.~~

$$TUR_{2022} = (RUR_{2020} - IUR_{2020}) \times Actual\ TSUs_{2020}$$

20. The adjustment is applied on a t+1 and t+2 basis, consistent with paragraph 3.3.1.4 of the Eurocontrol Principles that requires the adjustment to be made in the year following the adoption of the performance plan and a final adjustment of the unit rate two years after that year.

$$TUR_{2024} = (RUR_{2023} \times TSU\ forecast\ in\ FDecision\ 2023) - (IUR_{2023} \times TSU\ forecast\ in\ FDecision\ 2023)$$

$$TUR_{2025} = ((RUR_{2023} - IUR_{2023}) \times Actual\ TSU_{2023}) - TUR_{2024}$$

Where:

TUR_{2022} 2024 and TUR_{2025}	means the adjustments in 2024 and 2025, respectively, for the revenue difference between an the initial unit rate for 2023 and the revised unit rate for 2023.
RUR_{2020} 2023	means the revised unit rate applied retrospectively to 2020 2023
IUR_{2020} 2023	means the initial unit rate applied in 2020 2023
TSU forecast in FDecision 2023	Means the TSU forecast for 2023 in the CAA NR23 final decision.
Actual TSU_{2020} 2023	means the actual level of total service units for year 2020 2023 published by Eurocontrol.

Condition 21a: Control of London Approach charges

1. Without prejudice to Condition 25 (Suspension and Modification of Charge Control Conditions), for each London Approach Relevant Year beginning on 1 January 2020, 2021 and 2022 **2023, 2024, 2025, 2026 and 2027**, the maximum Permitted Average Charge Per London Approach Service Unit shall be calculated as follows:

$$\text{MaximumCharge}_t = \frac{\text{LDC}_t + \text{LINF}_t + \text{LReS}_t + \text{LTRS}_t + \text{LOR}_t + \text{LCSM}_t + \text{LFI}_t + \text{LMD}_t + \text{LTVAR}_t + \text{LTUR}_t - \text{LVFR}_t + \text{LTRSRecovery}_t + \text{LTRSRecoveryINF}_t}{\text{ForecastLTSU}_t} \times \text{LDISCOUNT}_t$$

Where:

MaximumCharge _t	means the Maximum Permitted Average Charge Per London Approach Service Unit in Relevant Year t.	
LDC _t	Means the London Approach determined costs, expressed in nominal terms for relevant year t.	
	Year t	(£)
	2021	13,505,263
	2022	14,448,079
	2023	15,484,785
	2024	15,303,614
	2025	16,079,200
	2026	16,608,293
	2027	16,982,120
LINF _t	means the adjustment in relevant year t of the difference between forecasted and actual inflation in relevant year t-2 in respect of London Approach Determined Costs (LDC) calculated in accordance with Paragraph 3 of this condition.	
LReS _t	means the authorised restructuring costs in relevant year t authorised in accordance with Article 7(4) of Commission Implementing Regulation (EU) No391/2013. For all years t = 2023, 2024, 2025, 2026 and 2027 LReS _t = 0	
LTRS _t	means the Traffic Risk Sharing element from previous years calculated in accordance with Paragraph 4 of this condition.	
LOR _t	Means Other revenues, including revenues collected from Biggin Hill, as agreed with the CAA, to be returned to airspace users and reflected within the Central Route Charges Table 2. Note – LOR is a negative number as the revenues are returned to airspace users.	
LCSM _t	means the carry-overs from the previous reference period resulting	

	<p>from the implementation of the cost sharing mechanism referred to in paragraphs 3.3.4.1 – 3.3.4.4 of Eurocontrol Principles in Article 14 of Commission Implementing Regulation (EU) No391/2013;</p> <p>For all years t = 2020, 2021, 2022, 2023, 2024, 2025, 2026 and 2027</p> <p>LCSM_t = 0</p>														
LFI _t	<p>means the Financial Incentives relating to performance.</p> <p>For all years t = 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027</p> <p>LFI_t = 0</p>														
LMOD _t	<p>means the over-or under-recoveries that may result from the modulation of air navigation charges in application of the modulation mechanism under paragraph 3.4.2 of the Eurocontrol Principles Article 16 of Commission Implementing Regulation (EU) No391/2013.</p> <p>For all years t = 2020, 2021, 2022, 2023, 2024, 2025, 2026 and 2027</p> <p>LMOD_t = 0</p>														
LTVar _t	<p>means the over-or under-recoveries resulting from traffic variations as defined in Paragraph 5.</p>														
LTUR _t	<p>means the over-or under-recoveries resulting from the application of a temporary unit rate in accordance with Paragraph 6 of this condition.</p>														
LVFR _t	<p>means the expected cost of services to traffic operating under Visual Flight Rules.</p> <p>For all years t = 2020, 2021, 2022, 2023, 2024, 2025, 2026 and 2027.</p> <p>LVFR_t = 0</p>														
LDISCOUNT _t	<p>means an adjustment to the maximum charge per LTSU in year t where the Licensee at its own discretion decides to recover less than it would otherwise be allowed to recover and has declared to the CAA that it will not pursue this as under-recovery in subsequent years.</p>														
ForecastLTSU _t	<p>means the forecast of Total London Approach Service Units for relevant year t established at the beginning of the reference period as set out as follows:</p>														
	<table border="1"> <thead> <tr> <th>Year t</th> <th>LTSU</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>1,015,600</td> </tr> <tr> <td>2022</td> <td>1,041,800</td> </tr> <tr> <td>2023</td> <td>954,874</td> </tr> <tr> <td>2024</td> <td>1,003,136</td> </tr> <tr> <td>2025</td> <td>1,022,309</td> </tr> <tr> <td>2026</td> <td>1,038,856</td> </tr> </tbody> </table>	Year t	LTSU	2021	1,015,600	2022	1,041,800	2023	954,874	2024	1,003,136	2025	1,022,309	2026	1,038,856
Year t	LTSU														
2021	1,015,600														
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2024	1,003,136														
2025	1,022,309														
2026	1,038,856														

	2027	1,053,934												
LTRSRecovery _t	<p>means the TRS recovery adjustment in respect of 2020, 2021 and 2022, expressed in nominal terms for relevant year t, established at the beginning of the NR23 Regulatory Period-NERL regulatory period as follows:</p> <table border="1"> <thead> <tr> <th>Year_t</th> <th>LTRS recovery (£)</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>1,981,501</td> </tr> <tr> <td>2024</td> <td>2,003,939</td> </tr> <tr> <td>2025</td> <td>2,024,796</td> </tr> <tr> <td>2026</td> <td>2,073,987</td> </tr> <tr> <td>2027</td> <td>2,135,612</td> </tr> </tbody> </table>		Year _t	LTRS recovery (£)	2023	1,981,501	2024	2,003,939	2025	2,024,796	2026	2,073,987	2027	2,135,612
Year _t	LTRS recovery (£)													
2023	1,981,501													
2024	2,003,939													
2025	2,024,796													
2026	2,073,987													
2027	2,135,612													
LTRSRecoveryINF _t	<p>means the adjustment in relevant year t of the difference between forecasted and actual inflation in relevant year t-2 in respect of London Approach TRS Recovery adjustment for 2020-2022, calculated in accordance with Paragraph 3A of this condition.</p>													
Total London Approach Service Units	<p>means the terminal service units calculated as follows:</p> <ul style="list-style-type: none"> the terminal service unit shall be equal to the weight factor for the aircraft concerned; the weight factor, expressed as a figure taken to two decimal places, shall be the quotient, obtained by dividing by fifty the number of metric tons in the “highest maximum certified take-off weight of the aircraft” (see below for definition), to the power of 0.7; and; including any service units relating to military exempt flights for the aggregate of Heathrow, Gatwick, Stansted, Luton, and London City airports. <p>The “highest maximum certified take-off weight of the aircraft” means the maximum certified take-off weight of the aircraft as shown in the Aircraft Flight Manual. Where an aircraft has multiple certified maximum take-off weights, the highest one shall be used.</p> <p>in accordance with Annex V of Commission Implementing Regulation (EC) No 391/2013 as amended from time to time</p>													

Inflation Assumptions

2. The forecast values of the inflation index referenced in paragraph 3 shall be as follows:

FHICP _t	<p>means the forecast values of the index of consumer prices reference values of the HICP (all items) index in respect of the UK for Eurocontrol Relevant Year t established prior to the control period, consistent with</p>
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the projections in nominal prices (the index base used is 2012 used is 2017=100 up to 2019 2022 and 2017=100 thereafter), which shall be:		
Year t	Index (base 2017 = 100)	Index (base 2020 = 100)
2020	106.44	100.00
2021	108.57	102.58
2022	110.74	111.87
2023		118.73
2024		119.75
2025		119.89
2026		120.49
2027		122.38

Inflation Adjustment

3. The adjustment of the difference between forecasted and actual inflation **in respect of London Approach Determined Costs** shall be calculated as follows:

For t = 2020, 2021 and 2022 2023, 2024, 2025, 2026 and 2027	
$LINF_t = LDC_{t-2} \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$	
Where $HICP_{t-2}$ is calculated as follows:	
Year t-2	Calculation
2021	107.9
2022	117.7
2023	$HICP_{2023} = 111.9 \times (1 + Inflation_{2023})$
2024	$HICP_{2024} = HICP_{2023} \times (1 + Inflation_{2024})$
2025	$HICP_{2025} = HICP_{2024} \times (1 + Inflation_{2025})$
2026	$HICP_{2026} = HICP_{2025} \times (1 + Inflation_{2026})$
2027	$HICP_{2027} = HICP_{2026} \times (1 + Inflation_{2027})$
Where:	
Inflation _t	means the annual average Inflation rate (to one decimal place) in respect of calendar year t published by the UK Office for National Statistics (ONS) calculated from its Consumer Price Index (CPI) which is based on the harmonised consumer price inflation methodology developed by Eurostat produced by Eurostat in the Harmonised Index of Consumer Prices in respect of calendar year t as published by Eurostat in April of year t+1 (the

published rate of inflation is rounded to one significant place of decimals).

Inflation Adjustment for LTRSRecovery_t

3A. The adjustment of the difference between forecasted and actual inflation in respect of the LTRS Recovery adjustment for 2020-2022 shall be calculated as follows:

For t = 2025, 2026 and 2027,

$$LTRSRecoveryINF_t = LTRSRecovery_{t-2} \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$$

Where:

FHICP_{t-2} has the meaning defined in paragraph 2

HICP_{t-2} has the meaning defined in paragraph 3

Traffic Risk Sharing

4. The Traffic Risk Sharing (LTRS_t) term shall be calculated as follows:

For t = 2020, 2021 and 2022

$$LTRS_t = (LDC_{t-2} \times LRSF_{t-2})$$

For t=2022

$$LTRS_{2022} = 0$$

For t = 2023, 2024, 2025, 2026 and 2027

LTRS₂₀₂₃ and LTRS₂₀₂₄ equal zero

$$LTRS_{2025} = 0.056 \times LDC_{2023}, \text{ where } \frac{ActualLTSU_{2023}}{ForecastLTSU_{2023}} < 0.90, \text{ or otherwise}$$

$$LTRS_{2025} = LRSF_{2023} \times LDC_{2023}$$

LTRS₂₀₂₆ =

$$0.5 \times \left[- \left(\frac{ActualLTSU_{2023}}{ForecastLTSU_{2023}} - 0.90 \right) \times LDC_{2023} \right], \text{ where } \frac{ActualLTSU_{2023}}{ForecastLTSU_{2023}} < 0.90,$$

otherwise zero

plus either:

$$0.056 \times LDC_{2024}, \text{ where } \frac{ActualLTSU_{2024}}{ForecastLTSU_{2024}} < 0.90, \text{ or otherwise } LRSF_{2024} \times LDC_{2024}$$

LTRS₂₀₂₇ =

$0.5 \times \left[-\left(\frac{\text{ActualLTSU}_{2023}}{\text{ForecastLTSU}_{2023}} - 0.90 \right) \times \text{LDC}_{2023} \right]$, where $\frac{\text{ActualLTSU}_{2023}}{\text{ForecastLTSU}_{2023}} < 0.90$, otherwise zero plus $0.5 \times \left[-\left(\frac{\text{ActualLTSU}_{2024}}{\text{ForecastLTSU}_{2024}} - 0.90 \right) \times \text{LDC}_{2024} \right]$, where $\frac{\text{ActualLTSU}_{2024}}{\text{ForecastLTSU}_{2024}} < 0.90$, otherwise zero plus either: $0.056 \times \text{LDC}_{2025}$, where $\frac{\text{ActualLTSU}_{2025}}{\text{ForecastLTSU}_{2025}} < 0.90$, or otherwise $\text{LRSF}_{2025} \times \text{LDC}_{2025}$		
Where:	LDC_{t-2}	has the meaning in Paragraph 1 of this condition.
And	LRSF_{t-2}	means the risk sharing factor relating to Relevant year t-2 based on the actual number of Total London Approach Service Units which shall be calculated as follows:
	Where:	$0.98 \leq \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} \leq 1.02$ $\text{LRSF}_{t-2} = 0$
	Where:	$1.02 \leq \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} \leq 1.10$ $\text{LRSF}_{t-2} = -0.7 \left[\frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} - 1.02 \right]$
	Where:	$0.90 \leq \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} \leq 0.98$ $\text{LRSF}_{t-2} = -0.7 \left[\frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} - 0.98 \right]$
	Where:	$\frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} < 0.90$ $\text{LRSF}_{t-2} = - \left[\frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} - 0.90 \right] + 0.056$
	Where	$\frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} > 1.10$ $\text{LRSF}_{t-2} = - \left[\frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} - 1.10 \right] - 0.056$
Where:	ActualLTSU_{t-2}	means the actual level of Total London Approach Service Units for relevant year t-2 published by Eurocontrol for the aggregate of Heathrow, Gatwick, Stansted, Luton, and London City airports.

Correction of LINF and LTRS Adjustments for Subsequent Traffic Variations (LTVar)

5. The LTVar component shall be calculated as follows:

LTVar _t	<p>is an adjustment to allow for variations between actual and forecast LTSUs in the year that a correction originally takes place.</p> $LTVar_t = (LINF_{t-2} + LTRS_{t-2} + L_{Pre2014}_{t-2} + LTUR_{t-2} + LTVar_{t-2} + LTRSRecovery_{t-2} + LTRSRecoveryINF_{t-2}) \times \left(1 - \frac{ActualLTSU_{t-2}}{ForecastLTSU_{t-2}}\right)$
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Temporary unit rate adjustment

6. This is an adjustment for differences in revenue resulting from the temporary application of the initial ~~2020~~2023 unit rate **given that the modifications of this condition have taken place after the start of 2023** that will be applied to the year 2022, due to the difference between CAA's RP3 determination and the CMA's final decision on price controls for 2020 to 2022. Initial unit rate means the unit rate initially charged **in 2023** based on **the CAA NR23 Initial Proposals (CAP2394)** CAA's RP3 determination. The revised unit rate means the unit rate charged **in 2023** based on the **CAA NR23 final decision** CMA's final decision on price controls for 2020 to 2022.
7. The adjustment is applied on a t+1 and t+2 basis, consistent with paragraph 3.3.1.4 of the Eurocontrol Principles that requires the adjustment to be made in the year following the adoption of the performance plan and a final adjustment of the unit rate two years after that year.

$$LTUR_{2022} = (LRUR_{2020} - LIUR_{2020}) \times ActualLTSU_{2020}$$

$$LTUR_{2024} = (LRUR_{2023} \times LTSU \text{ forecast in } F\text{Decision } 2023) - (LIUR_{2023} \times LTSU \text{ forecast in } F\text{Decision } 2023)$$

$$LTUR_{2025} = ((LRUR_{2023} - LIUR_{2023}) \times ActualLTSUs_{2023}) - LTUR_{2024}$$

Where:

LTUR 2022 2024 and LTUR ₂₀₂₅	means the adjustments in 2024 and 2025, respectively , for the revenue difference between an the initial unit rate for 2023 and the revised unit rate for 2023 .
LRUR 2020 2023	means the revised unit rate applied retrospectively to 2020 2023.
LIUR 2020 2023	means the initial unit rate applied in 2020 2023.
LTSU forecast in FDecision 2023	means the LTSU forecast for 2023 in the CAA NR23 final decision.
ActualLTSU 2020 2023	means the actual level of Total London Approach Service Units for year 2020 2023 published by Eurocontrol for the aggregate of Heathrow, Gatwick, Stansted, Luton, and London City airports.

Condition 22: Oceanic charges

1. The Oceanic charging zone comprises two areas, 'Atlantic' and 'Tango'. Flights will either incur an Atlantic or Tango area charge. If a flight is solely in the Tango area it will only incur a Tango charge, otherwise it will incur an Atlantic charge.
2. Without prejudice to Condition 25 (Suspension and Modification of Charge Control Conditions) the Licensee shall use its best endeavours to ensure that in each Oceanic Relevant Year beginning on 1 January 2020, 2021 and, 2022 **2023, 2024, 2025, 2026 and 2027**:

The Average Charge Per Atlantic Flight shall not exceed the Maximum Permitted Average Charge Per Atlantic Flight calculated in accordance with the following formula:

$$A_t = U_t + ADA_t + AINF_t + ATVAR_t + ATCA_t$$

The Average Charge Per Tango Flight shall not exceed the Maximum Permitted Average Charge Per Tango Flight calculated in accordance with the following formula

$$T_t = U_t + ADT_t + TINF_t + TDTRS_t + TTVAR_t + TTCA_t$$

where:

A_t	means the Maximum Permitted Average Charge Per Atlantic Flight in Oceanic Relevant Year t.	
T_t	means the Maximum Permitted Average Charge Per Tango Flight in Oceanic Relevant Year t.	
U_t	is a base charge per Oceanic Flight in Oceanic Relevant Year t, expressed in nominal terms:	
	Relevant Year t	U_t
	2023	78.12
	2024	71.45
	2025	53.62
	2026	54.93
ADA_t	means the price charged per Atlantic Flight for the use of the ADS-B service, expressed in nominal prices. When the ADS-B service is not fully available for Atlantic flights, $ADA_t=0$ When the ADS-B service is fully available:	
	Relevant Year t	ADA_t
	2023	36.68
	2024	36.48
	2025	38.31
	2026	38.48
2027	40.23	

AINF _t	means the adjustment in relevant year t to the ADS-B North Atlantic charges to account for the difference between forecast and actual inflation in relevant year t-2 calculated in accordance with Paragraph 4 of this condition.												
ATVAR _t	means the adjustment in relevant year t to account for the difference between forecast and actual number of North Atlantic flights in the relevant year t-2 calculated in accordance with Paragraph 5 of this condition. For 2020 and 2021 ATVAR _t = 0												
ADT _t	means the price charged per Tango Flight for the use of the ADS-B service, expressed in nominal prices. When the ADS-B service is not fully available for Tango flights, ADT _t =0 When the ADS-B service is fully available:												
	<table border="1"> <thead> <tr> <th>Year t</th> <th>ADT_t</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>1.74</td> </tr> <tr> <td>2024</td> <td>6.27</td> </tr> <tr> <td>2025</td> <td>6.50</td> </tr> <tr> <td>2026</td> <td>6.37</td> </tr> <tr> <td>2027</td> <td>6.69</td> </tr> </tbody> </table>	Year t	ADT _t	2023	1.74	2024	6.27	2025	6.50	2026	6.37	2027	6.69
Year t	ADT _t												
2023	1.74												
2024	6.27												
2025	6.50												
2026	6.37												
2027	6.69												
ATCA _t	means the over-or under-recoveries resulting from the application of a temporary base charge charges and calculated in accordance with Paragraph 5A of this condition.												
TINF _t	means the adjustment in relevant year t to the ADS-B Tango charges to account for the difference between forecast and actual inflation in relevant year t-2 calculated in accordance with Paragraph 4 of this condition.												
TDTRS _t	Means the adjustment to the average charge per Tango flight in relevant year t to account for the impact of the difference between forecast and actual Tango flights in relevant year t-2 on the Tango data charge. For 2020 and 2021 TDTRS _t = 0 For 2022, 2023, 2024, 2025, 2026 and 2027 $TDTRS_t = ADT_{t-2} \times \left(1 - \frac{Actual\ Tango\ Flights_{t-2}}{Forecast\ Tango\ Flights_{t-2}} \right)$												
TTVAR _t	means the adjustment to account for the difference between forecast and actual number of Tango flights in the relevant year t-2 calculated in accordance with Paragraph 5 of this condition. For 2020 and 2021 TTVAR _t = 0												
TTCA _t	means the over-or under-recoveries resulting from the application of a temporary base charge charges and calculated in accordance with Paragraph 5A of this condition.												

Forecast Tango Flights _t	means the forecast of Tango Flights for relevant year t established at the beginning of the reference NR23 Regulatory Period as follows:	
	2023	24,000
	2024	26,000
	2025	27,000
	2026	27,000
	2027	27,000
Forecast Atlantic Flights _t	means the forecast of Atlantic Flights for relevant year t established at the beginning of the NR23 Regulatory Period as follows:	
	2023	483,000
	2024	519,000
	2025	528,000
	2026	535,000
	2027	542,000

Inflation assumptions

- The Oceanic base charge (U_t) and ADS-B North Atlantic (ADA_t) and Tango (ADT_t) charges are set above in *nominal* prices, and therefore include the CAA's assumed forecast of CPI inflation.

FHICP _t	means the forecast values of the index of consumer prices reference values of the HICP (all items) index in respect of the UK for Eurocontrol Oceanic Relevant Year t established prior to the control period, consistent with the projections in nominal prices (the index base used is 2017=100 up to 2022 and 2020=100 thereafter), which shall be:		
	Year t	Index (base 2017 = 100)	Index (base 2020 = 100)
	2020	106.4	100.00
	2021	108.6	102.58
	2022	110.7	111.87
	2023		118.73
	2024		119.75
	2025		119.89
	2026		120.49
	2027		122.38

Inflation Adjustment

4. The adjustment for the difference between forecast and actual inflation shall be calculated as follows:

For t = 2020, 2021 and 2022 2023, 2024, 2025, 2026 and 2027 :	
$AINF_t = (U_{t-2} + ADA_{t-2}) \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$	
$AINF_t = (U_{t-2}) \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right) + (ADA_{t-2}) \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$	
and	
$TINF_t = (U_{t-2} + ADT_{t-2}) \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$	
$TINF_t = (U_{t-2}) \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right) + (ADT_{t-2}) \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$	
Where $HICP_{t-2}$ is calculated as follows:	
Year t-2	Calculation
2021	107.9
2022	117.7
2023	$HICP_{2023} = 111.9 \times (1 + Inflation_{2023})$
2024	$HICP_{2024} = HICP_{2023} \times (1 + Inflation_{2024})$
2025	$HICP_{2025} = HICP_{2024} \times (1 + Inflation_{2025})$
2026	$HICP_{2026} = HICP_{2025} \times (1 + Inflation_{2026})$
2027	$HICP_{2027} = HICP_{2026} \times (1 + Inflation_{2027})$
Where:	
Inflation _t	means the annual average inflation rate (to one decimal place) in respect of calendar year t published by the UK Office for National Statistics (ONS) calculated from its Consumer Price Index (CPI) which is based on the harmonised consumer price inflation methodology developed by Eurostat, produced by Eurostat in the Harmonised Index of Consumer Prices in respect of calendar year t as published by Eurostat in April of year t+1 (the published rate of inflation is rounded to one significant place of decimals).

5. Traffic adjustments TVar Adjustments

These are adjustments to allow for variations between actual and forecast number of flights in the year that a correction originally takes place. "For 2020 and 2021 both terms as defined below will equal 0."

For ~~2022~~2023, 2024, 2025, 2026 and 2027:

$$ATVAR_t = (((AINF_{t-2} + ATVar_{t-2}) \times \text{Forecast Atlantic Flights}_{t-2}) \times (1 - \frac{\text{Actual Atlantic Flights}_{t-2}}{\text{Forecast Atlantic Flights}_{t-2}})) / \text{Forecast Atlantic Flights}_t$$

and

$$TTVAR_t = (((TINF_{t-2} + TTVar_{t-2}) \times \text{Forecast Tango Flights}_{t-2}) \times (1 - \frac{\text{Actual Tango Flights}_{t-2}}{\text{Forecast Tango Flights}_{t-2}})) / \text{Forecast Tango Flights}_t$$

Temporary base charges adjustment

5A. This is an adjustment for differences in revenue resulting from the temporary application of initial 2023 charges (U, ADA, ADT) the 2020 base charge (Ut), given that the modifications of this condition have taken place after the start of 2023. that will be applied to the year 2022, due to the difference between CAA's RP3 determination and following CMA's final decision on price conditions for 2020 to 2022. Initial base charge charges means the base charge charges initially charged in 2023 based on the CAA NR23 Initial Proposals (CAP2394). accordance with the CAA's RP3 determination. The revised base charge charges means the base charge charges based on the CAA NR23 final decision. CMA's final decision on price controls for 2020 to 2022.

$$ATCA_{2022} = (RC_{2020} - IC_{2020})$$

and

$$TTCA_{2022} = (RC_{2020} - IC_{2020})$$

For years t = 2024, 2025, 2026 and 2027:

$$ATCA_t = 0.25 \times (ARC_{2023} - AIC_{2023})$$

and

$$TTCA_t = 0.25 \times (TRC_{2023} - TIC_{2023})$$

Where:

ATCA 2022 _t	means the adjustment in year t to the average charge per Atlantic flight for revenue difference between initial and revised base charges in 2023 .
ARC 2020 ₂₀₂₃ and TRC 2023	means the revised base charge charges for Atlantic and Tango respectively applied retrospectively to 2020 2023 .
AIC 2020 ₂₀₂₃ and TIC 2023	means the initial base charge charges for Atlantic and Tango respectively applied in 2020 2023 .
TTCA 2020 _t	means the adjustment in year t to the average charge per Tango flight for revenue difference between an initially charged and revised unit rate initial and revised charges in 2023 .

Other licence conditions

6. Tango flight means a flight only operating along the length of ATS routes T9 and T290, as defined and promulgated within the UK AIP, within a defined volume of airspace bounded by coordinates 4500N01000W - 4500N00845W - 4834N00845W - 4841N01000W – 4500N01000W and not elsewhere in the En route (Oceanic) Area.
7. Atlantic flight means any flight in the En route (Oceanic) Area that is not a Tango flight.
8. The ADS-B service is fully available when the Licensee’s Board has certified that it is operating a fully ADS-B based service in the En route (Oceanic) Area and 99% of flights, that have the correct and functioning equipment, regulatory approval and plan to use it, crossing the En route (Oceanic) Area are being provided with an ADS-B enabled service for the whole time the flights are within the En route (Oceanic) Area. At all other times the ADS-B service is unavailable. The certificate may say that the ADS-B service is fully available for both Atlantic flights and Tango flights; or is fully available for Atlantic flights but not for Tango flights; or the ADS-B service is fully available for Tango flights but not for Atlantic flights.
9. **By a date determined by the CAA after reasonable consultation with the Licensee and other interested parties** ~~By no later than two years and six months after the licensee has certified it is operating a fully ADS-B based service in the En route (Oceanic) Area, or at a later date agreed with the CAA,~~ the Licensee shall commission an independent review, **the terms of reference for which shall have been agreed by the CAA,** of whether the benefits of providing a fully ADS-B based service outweigh the costs of providing the service.

Condition 24: Information to be provided to the CAA in connection with the Charge Control Conditions

7. This part of the Condition applies for the purpose of making available, in a form and to a standard reasonably satisfactory to the CAA, such information on the provision of air traffic services to New Users (as defined in Condition 6.9) as will:
 - a) enable the CAA to assess the type(s) of air traffic services provided by the Licensee to New Users as part of the Core Services and Specified Services in accordance with the requirements of the Licence and the costs reasonably incurred by the Licensee in doing so; and
 - b) enable a new charge control to be put in place and inform future price control reviews in respect of New Users.
8. From 1 January 2023, the Licensee shall put in place a cost recording mechanism for New Users (“New User Cost Recording Mechanism”) which will record, as a minimum, the following information:
 - a) types of New User;
 - b) Core Services and Specified Services requested and provided; and
 - c) the costs incurred by the Licensee in providing the Core Services and Specified Services to New Users.
9. On an annual basis, not later than 30 June in each year, the Licensee shall report to the CAA on the New User Cost Recording Mechanism. The CAA may from time to time specify the format and content of such reports, but the reports shall include, as a minimum the following information:
 - a) details on the Core Services and Specified Services requested by and provided to New Users;
 - b) the costs incurred by the Licensee in providing the Core Services and Specified Services to New Users, with supporting information as reasonably specified by the CAA;
 - c) any associated activities, costs and deliverables resulting from the provision of Core Services and Specified Services to New Users; and
 - d) any amendment made to the New User Cost Recording Mechanism and the reasons for any such amendments.
10. The Licensee shall produce, following consultation with Users, including New Users, and their representatives, a proposed charging mechanism to calculate charges for New Users, the “New User Charging Mechanism”. The Licensee shall submit the proposed New User Charging Mechanism to the CAA by no later than 30 June 2025. The proposed New User Charging Mechanism shall include:
 - a) the basis on which the charges shall be levied;
 - b) the costs to be recovered through the charge, both direct and allocated costs;

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- c) the information that the Licensee shall provide to New Users when consulting them on the charge;
 - d) any mechanism to recover from, or pass back to, New Users and under- or over-recovery of costs;
 - e) any mechanism to recover relevant costs incurred by NERL in relation to New Users during the NR23 Regulatory Period; and
 - f) how the charge shall be collected; and
 - g) any other relevant information as may be reasonably specified by the CAA.