

H7 Appeals Final Determinations

Glossary

Term	Description
2021 RAB Adjustment Decision	CAP2140 'Economic regulation of Heathrow Airport Limited: response to its request for a covid-19 related RAB adjustment'. See: www.caa.co.uk/CAP2140 .
A1P1	Article 1 Protocol 1 ECHR .
ACC	Airlines Consultative Committee.
ACR 2011	The Airport Charges Regulations 2011 .
Act	The Civil Aviation Act 2012 .
Airline Interveners	BA and Delta .
Airlines	BA , Delta and VAA together are known as the Airlines.
AK factor	An additional correction factor introduced by CAA into the Licence in respect of the years 2020 and 2021.
AKt term	Adjustment term in the formula which establishes its maximum allowed yield per passenger in year t, where AKt is the value of the revenue that would have been recovered through the K factor in year t had the full price control formula been applied.
AlixPartners WACC Report	'Cost of capital issues raised by the Heathrow Airport H7 price control', an Expert Report prepared for the Airlines dated 17 April 2023.
AOC/LACC	Airline Operators' Committee (for Heathrow) / London (Heathrow) Airline Consultative Committee, set up by IATA to implement a collaborative consultation framework for Heathrow airport.
ARP-DRP	Oxera's 'asset risk premium – debt risk premium' framework.
ATM	Air Traffic Movements.
BA	British Airways plc.
Better Regulation / Better Regulation Duties	Better Regulation / Better Regulation Duties imposed by the Better Regulation Principles .

Term	Description
Better Regulation Principles	The principles to which the CAA must have regard under section 1(3)(g) CAA12 and set out in subsection 1(4) CAA12 .
bps	Basis points equals 0.01% or 0.0001 in decimal form.
BRT	Business rates adjustment a BRT in the Licence for the Q6 period. The BRT term does not apply for H7 as no revaluation is envisaged in this period.
building blocks	Price control building blocks, including passenger numbers, operating costs, capital expenditure and commercial revenues.
CAA	The Civil Aviation Authority.
CAA Amended HAL Model	The CAA had direct access to the HAL Model and made changes to the inputs. The result was called 'the CAA Amended HAL Model.
CAA Response	CAA's response to the Notices of Appeal, 31 May 2023.
CAA's October 2020 Consultation	CAP1966 'Economic regulation of Heathrow Airport Limited: response to its request for a covid-19 related RAB adjustment' 9 published October 2020. See: www.caa.co.uk/CAP1966 .
capex	capital expenditure.
CAPM	Capital Asset Pricing Model.
CC	Competition Commission.
CEPA	Economic advisers to the CAA
CIP	Capital Investment Programme.
CMA	The Competition and Markets Authority.
Cost per QALY	Cost per quality adjusted life year.
CPI	Consumer Price Index.
Decision Documents	Together the CAA's Initial Proposals, Final Proposals and the H7 Final Decision .
Delta	Delta Air Lines, Inc.
DO	Delivery obligations are a requirement for HAL to have agreed DOs with airlines for each project at G3 , that should include a project's expected output(s), quality requirements and timing.

Term	Description
Dt	Development capex adjustment.
EBIT	Earnings before interest and taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
ECHR	European Convention on Human Rights.
Eisai	Court of Appeal in <i>R v National Institute for Health and Clinical Excellence (NICE), ex parte Eisai Limited</i> .
ELMA2021	CMA determination of appeals of Ofgem's RIIO T2 and GD2 decisions.
ERP	Equity Risk Premium.
February 2021 Consultation	CAP2098 'Economic regulation of Heathrow Airport Limited: response to its request for a covid-19 related RAB adjustment' published 5 February 2021. See: www.caa.co.uk/CAP2098 .
Final Decision/the H7 Final Decision	CAP2524A – CAP2524H 'Economic regulation of Heathrow Airport: H7 Final Decision': the Final Decision made by the CAA to modify the conditions of HAL's Licence to implement the H7 price control contained in a notice under section 22(6) CAA12 dated 8 March 2023. See: https://www.caa.co.uk/commercial-industry/airports/economic-regulation/h7/consultations/final-and-initial-proposals-for-h7-price-control/ .
Final Determination	CMA's 'Heathrow Airport H7 Licence Modification Appeals, Final Determinations', issued 17 October 2023.
Final Proposals / H7 Final Proposals	CAP2365 'Economic regulation of Heathrow Airport Limited: H7 Final Proposals' June 2022. See: https://www.caa.co.uk/commercial-industry/airports/economic-regulation/h7/consultations/final-and-initial-proposals-for-h7-price-control/ .
Flint	FlintGlobal, consultants commissioned by the CAA to provide an opinion of the future assessment of beta for Heathrow Airport at H7.
Gateway 3 (G3)	Capex projects follow an eight phase 'Gateway' process which aligns with each project's level of maturity. Project business cases are reviewed at key points (Gateways) throughout their life. Gateway 3 is an investment decision stage of capex governance arrangements, in line with the approach for the Q6 price control.
Group	CMA panel members appointed to determine the appeals of the H7 Final Decision.

Term	Description
Guide	Airport Licence Condition Appeals: Competition and Markets Authority Guide (CMA 173), 27 October 2022.
H7	The price control period for Heathrow from 1 January 2022 until 31 December 2026.
H8	The price control for Heathrow following H7 .
HAL	Heathrow Airport Limited, the licence holder and operator of Heathrow.
HAL Model	HAL's Passenger Forecast Model.
HRA	Human Rights Act 1998.
IAG	International Airlines Group.
IATA	International Air Transport Association, a global trade association representing airlines.
IATA Forecast	An external forecast among the list of external forecasts used by the CAA at both the Final Proposal stage and the Final Decision stage.
IFS	The Independent Fund Surveyor for Heathrow, which is jointly appointed by HAL and the airlines, with a duty of care to the CAA . The scope of the IFS role is broadly to assure that capital funds are invested efficiently to meet agreed project objectives.
iH7	The interim H7 price control, running from 1 January 2020 until 31 December 2021.
IL	Index-linked.
Initial Proposals	CAP2265 'Economic regulation of Heathrow Airport Limited: H7 Initial Proposals' October 2021. See: Economic regulation of Heathrow Airport Limited: H7 Initial Proposals, October 2021 - Civil Aviation Authority - Citizen Space (caa.co.uk) .
June 2020 Consultation	CAP1940 'Economic regulation of Heathrow: policy update and consultation'. See: www.caa.co.uk/CAP1940 .
Licence	The licence granted to Heathrow Airport Limited by the Civil Aviation Authority under section 15 CAA12 on 13 February 2014.
LRA	Local Rule A, this Local Rule set out the process for managing periods of reduced capacity as a result of measures implemented by Government or Regulatory Authorities to reduce the spread of Covid-19.

Term	Description
Mt	Term in the Licence denoting maximum revenue yield per passenger.
NERL	NATS En Route plc.
NoA	Notice of Appeal.
NPV	Net Present Value.
OBR	Office for Budget Responsibility.
OLS	Ordinary least squares.
opex	operational expenditure.
P50	P ₅₀ defined the median at which point 50% of observations will exceed the best-estimate (P ₅₀) and 50% will not exceed it.
Parties	The appellants, interveners and the CAA (together the Parties to the appeals).
pax	Passengers.
PNGL	CC price redetermination in Phoenix Natural Gas Limited dated 2012.
PR19	The five-year price control settlement for water companies in England and Wales for 2020-2024. Ofwat's decision published in December 2019 can be found at: www.ofwat.gov.uk/wp-content/uploads/2019/12/PR19-final-determinations-Overview-of-final-determinations.pdf .
PR19 Final Determinations	CMA's redetermination of Ofwat's PR 19 Decision - Anlian Water Services Limited, Bristol Water plc, Northumbrian Water Limited and Yorkshire Water Services Limited price determinations, final report , dated 17 March 2021.
PR24	Ofwat's next set of water price controls.
Provisional Determination	CMA's 'Heathrow Airport H7 Licence Modification Appeals, Provisional Determinations', 8 September 2023.
Q5	Q5 was the price control for the period from 2008 to 2013, the approach to which was subsequently extended to cover January to March 2014.

Term	Description
Q5 Final Decision	CAA 'Economic Regulation of Heathrow and Gatwick Airports 2008-2013 CAA Decision 11 March 2008. See: https://webarchive.nationalarchives.gov.uk/ukgwa/20140605050545m_p_/http://www.caa.co.uk/docs/5/ergdocs/heathrowgatwickdecision_mar08.pdf .
Q6 / Q6 price control	Q6 was the price control for the period from 2014 to 2018, the approach to which was successively extended to cover 2019 and 2020 to 2021.
Q6 Final Decision	CAP1136 'Heathrow Airport Limited Operator determination' 10 January 2014. See www.caa.co.uk/CAP1136 .
Q6 Final Proposals	CAP1103 'Economic Regulation at Heathrow Airport from April 2014: final proposals' 3 October 2013. See www.caa.co.uk/CAP1103 .
Q6 Initial Proposals	CAP1027 'Economic regulation at Heathrow from April 2014: initial proposals' 3 April 2013 See: www.caa.co.uk/CAP1027 .
RAB	Regulatory Asset Base.
RBP	HAL's publication, Revised Business Plan submitted to the CAA in December 2020.
RBP update / Updated RBP	HAL's publication, Revised Business Plan updated to take the 2021 situation into account and submitted to the CAA in July 2021.
RBP Update 2	HAL's publication, Updated Revised Business Plan submitted to the CAA in December 2021.
RFI	Request for Information.
RP3	The NERL Reference Period 3 price control that was originally expected to run from 1 January 2020 to 31 December 2024.
RPI	Retail Price Index.
Rules	Airport Licence Condition Appeals: Competition and Markets Authority Rules (CMA 172), 27 October 2022.
S&P	Standard and Poor's Global Ratings.
Shock Factor	A downward adjustment to volume forecasts to address the asymmetry of risks.
SMART	Specific Measurable Achievable Relevant and Time-bound.
SMP	Substantial Market Power.

Term	Description
SQRB/SQR	Service Quality Rebates and Bonuses, the service quality regulation regime for Q6.
TDS	Trigger Definition Sheets
TMR	Total Market Return.
totex	Total expenditure.
TRS	Traffic Risk Sharing.
VAA	Virgin Atlantic Airways Ltd.
WACC	Weighted Average Cost of Capital.
WBS	Whole business securitisation.
WLS	Weighted least squares.