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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Enhance Demand Response in California.	Rulemaking 25-09-004

SBUA'S COMMENTS ON THE ALJ'S RULING SEEKING COMMENTS ON STAFF PROPOSAL TO EXTEND FLEX ALERT FUNDING TO 2026

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I. INTRODUCTION

Pursuant to the Administrative Law Judge's Ruling dated December 30, 2025, Small Business Utility Advocates (SBUA) submits these Opening Comments in accordance with the ALJ's Ruling seeking input on Commission's Staff Proposal to Extend Flex Alert Funding to 2026.

II. SBUA's COMMENTS

1) Should the Flex Alert Marketing Program continue in 2026?

SBUA generally supports that Flex Alerts should continue in 2026. However, SBUA requests that the Commission require a showing of continued cost-effectiveness. The current staff proposal is too vague in describing the potential benefits provided by the Flex Alert program. In other words, SBUA requests that the Flex Alert program be more closely studied, to ensure that it is effective in reducing peak demand and avoiding outages, which are particularly costly for small business customers. Commission Staff cites a high awareness of self-reported behavior changes (*e.g.*, "about two-thirds" report reducing electric use on Flex Alert days). While Staff's observation suggests that the Flex Alert program likely provides some benefit, self-reporting via surveys is not demonstrative of a verifiable, incremental reduction in energy use that is directly attributable to the Flex Alert program. As such, SBUA requests that some portion of this extra $22 million be used to conduct a more robust study of overall program effectiveness. SBUA recommends some form of evaluation continue on an annual basis, and that further studies continue to evaluate certain whether discrete kW reductions are directly induced by Flex Alert messages. To further understand program efficacy and potential areas of improvement – this reporting should also be separated between residential and small commercial ratepayers, who likely have different behavioral responses to the messages.

Secondarily, small business often have certain constraints – including refrigeration and customer comfort – which cannot be modified in response to Flex Alerts. SBUA recommends that the Flex Alerts program work with small businesses to identify possible solutions whereby small businesses could also meaningfully participate in demand reduction efforts.

2) Should the Commission order SCE to extend/renew the DDB contract through 2026—and under what conditions/modifications?

SBUA does not have strong recommendations relating to the specific marketing/advertising contract. However, as noted in Response 1 above, SBUA believes that the Commission should require the study of measurable, quantitative impacts from the program. After a baseline has been developed, the Commission can more easily determine program efficacy, and whether the contract should be extended beyond 2026. That being said, it is implicit that the program itself should return (quantitative and qualitative benefits) that exceed $22 million a year.

3) How much should the Flex Alert Marketing Program budget be in 2026?

SBUA does not have immediate concerns with Staff's proposal to maintain the annual budget of $22 million. However, consistent with prior responses, SBUA believes that a portion of this $22 million should be applied toward evaluations and metrics, ensuring that the program is either producing net grid savings that exceed $22 million, or are otherwise justified when evaluating additional qualitative factors. Small businesses are experiencing "rate fatigue," and any such further ratepayer-funded expenses supporting the Flex Alert program should be accompanied by the assurance that the program is providing commensurate system-wide benefits.

4) Any further issues/procedural requirements/contingencies/program elements needed for continuation and administration?

Consistent with above comments, SBUA requests that the Commission require some form of program-efficacy reporting, which should distinguish between the public's "general awareness" of the program to actual impacts on electric load.

SBUA also notes that a potential weakness of the Flex Alert messaging is its implicit assumption that all customers have similar abilities to reduce or shift load on short notice. As noted above, many small businesses simply cannot reduce their electricity usage at certain times. Unlike residential customers, small commercial customers often operate under fixed business hours with specific customer comfort expectations, they must comply with food safety rules, and may otherwise operate under additional equipment constraints that limit their ability to reduce electric usage. For example, a restaurant cannot simply turn down refrigeration, ice machines, or ventilation systems without risking health code violations. Similarly, a retail store cannot safely operate in extreme heat without climate control. SBUA recommends that the Flex Alert target small business with specific recommendations. This recommendation could be to "pre-cool" their businesses earlier in the day, when the grid is less stressed, or to recommend non-essential business activities to be postponed until later in the day. SBUA further believes that the tone of these messages should focus on the potential to reduce electric bills.

Lastly, given rate-fatigue, SBUA cautions against the tendency to "lock-in" the assumption that millions of dollars will be used each year for this program. SBUA acknowledges that the program is in its early stages and that the Flex Program appears to offer benefits. However, as noted earlier, there must be demonstrable benefits induced by the program for its continuation to be warranted.

Respectfully Submitted,

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