



Module 2: Cloud Economics and Billing

AWS Academy Cloud Foundations

Module overview

Topics

- Fundamentals of pricing
- Total Cost of Ownership
- AWS Organizations
- AWS Billing and Cost Management
- Technical Support

Activities

- AWS Pricing Calculator
- Support plans scavenger hunt

Demo

- Overview of the Billing Dashboard



Knowledge check

Module objectives

After completing this module, you should be able to:

- Explain the AWS pricing philosophy
- Recognize fundamental pricing characteristics
- Indicate the elements of total cost of ownership
- Discuss the results of the AWS Pricing Calculator
- Identify how to set up an organizational structure that simplifies billing and account visibility to review cost data.
- Identify the functionality in the AWS Billing Dashboard
- Describe how to use AWS Bills, AWS Cost Explorer, AWS Budgets, and AWS Cost and Usage Reports
- Identify the various AWS technical support plans and features



Section 1: Fundamentals of pricing

Module 2: Cloud Economics and Billing



AWS pricing model

Three fundamental drivers of cost with AWS

Compute

- Charged per hour/second*
- Varies by instance type

*Linux only

Storage

- Charged typically per GB

Data transfer

- Outbound is aggregated and charged
- Inbound has no charge (with some exceptions)
- Charged typically per GB

How do you pay for AWS?

Pay for what you use



Pay less when you reserve

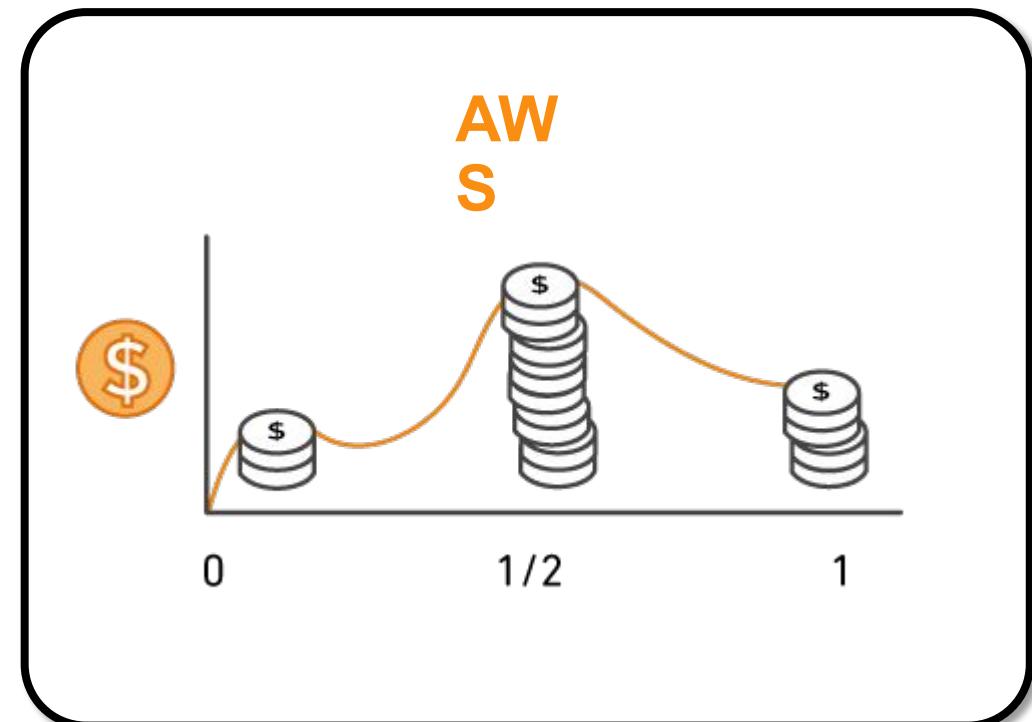
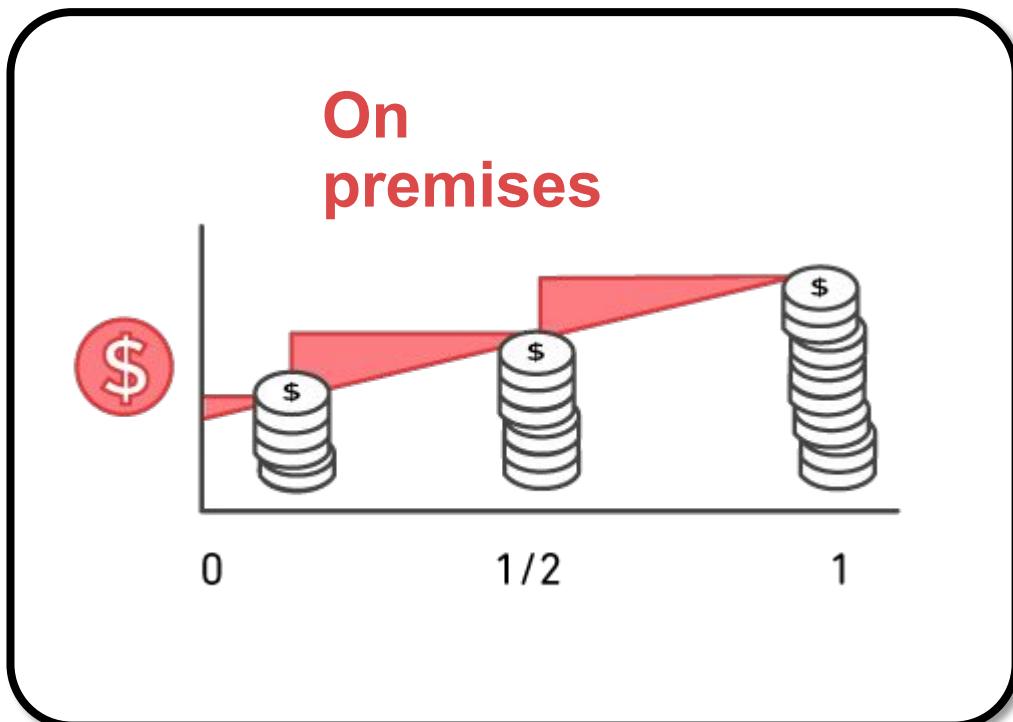


Pay less when you use more and as AWS grows



Pay for what you use

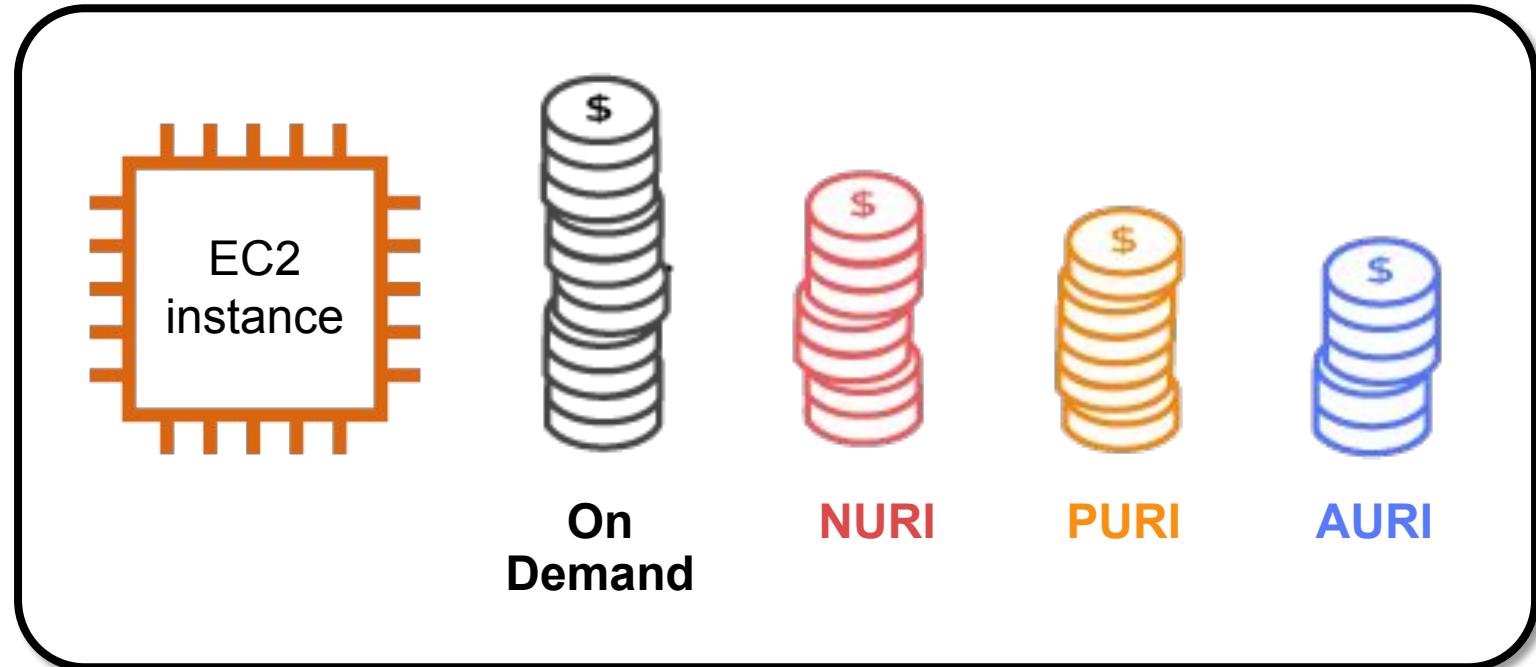
Pay only for the services that you consume, with no large upfront expenses.



Pay less when you reserve

Invest in Reserved Instances (RIs):

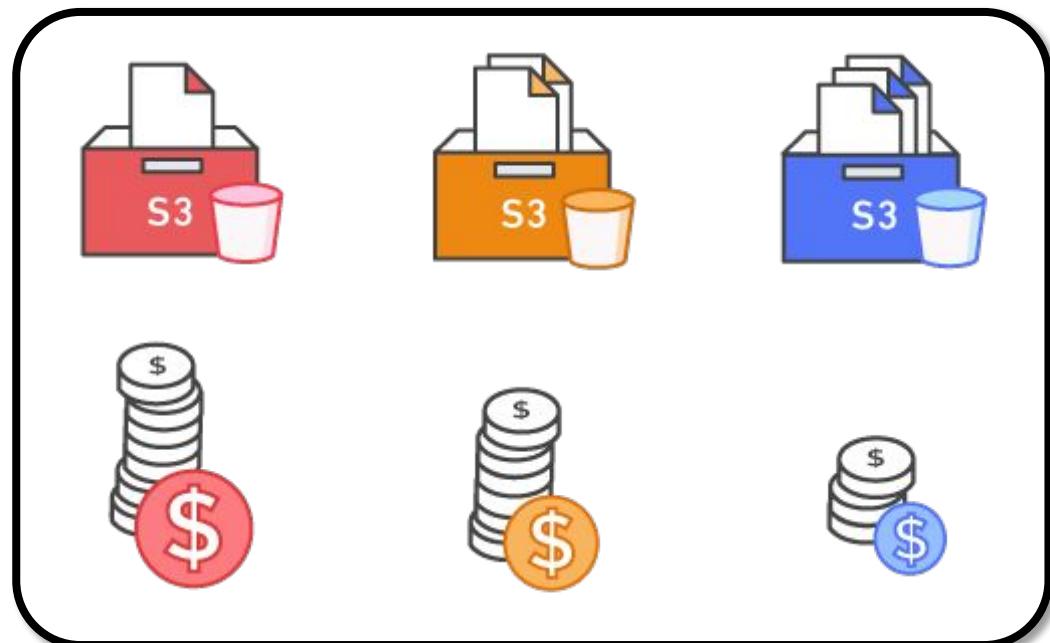
- Save up to 75 percent
- Options:
 - All Upfront Reserved Instance (**AURI**) □ **largest discount**
 - Partial Upfront Reserved Instance (**PURI**) □ **lower discounts**
 - No Upfront Payments Reserved Instance (**NURI**) □ **smaller discount**



Pay less by using more

Realize volume-based discounts:

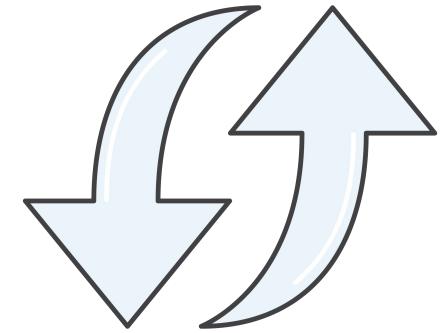
- **Savings** as usage increases.
- **Tiered pricing** for services like Amazon Simple Storage Service (Amazon S3), Amazon Elastic Block Store (Amazon EBS), or Amazon Elastic File System (Amazon EFS) □ the more you use, the less you pay per GB.
- Multiple storage services deliver **lower** storage costs based on needs.



Pay even less as AWS grows

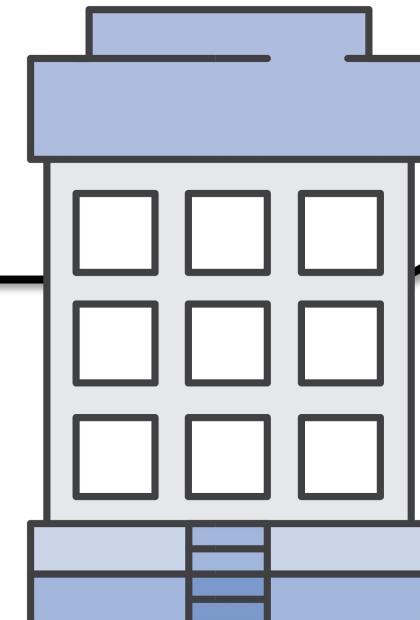
As AWS grows:

- AWS focuses on lowering cost of doing business.
- This practice results in AWS passing savings from economies of scale to you.
- Since 2006, AWS has **lowered pricing 75 times** (as of September 2019).
- Future higher-performing resources replace current resources for no extra charge.



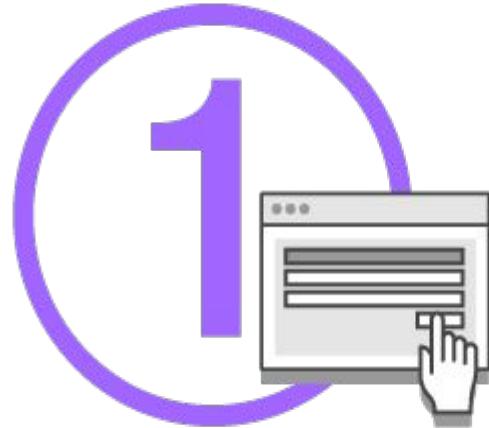
Custom pricing

- Meet varying needs through custom pricing.
- Available for high-volume projects with unique requirements.



AWS Free Tier

Enables you to gain free hands-on experience with the AWS platform, products, and services. Free for 1 year for new customers.



**Sign up for
an
AWS account**



**Learn with 10-
minute
tutorials**



**Start
building
with AWS**

Services with no charge



Amazon VPC



Elastic Beanstalk**



Auto Scaling**



AWS CloudFormation**



AWS Identity and Access Management (IAM)

****Note:** There might be charges associated with other AWS services that are used with these services.

Key takeaways



- There is no charge (with some exceptions) for:
 - Inbound data transfer.
 - Data transfer between services within the same AWS Region.
- Pay for what you use.
- Start and stop anytime.
- No long-term contracts are required.
- Some services are free, but the other AWS services that they provision might not be free.

Section 2: Total Cost of Ownership

Module 2: Cloud Economics and Billing

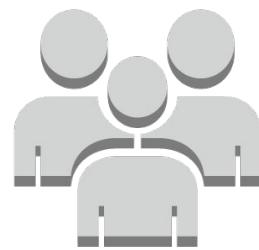


On-premises versus cloud

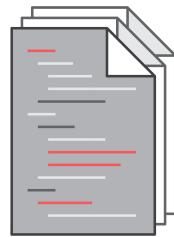
Traditional Infrastructure



Equipment



Resources and administration



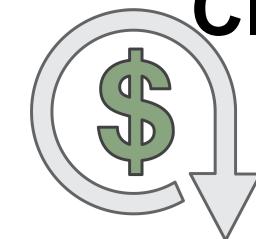
Contracts



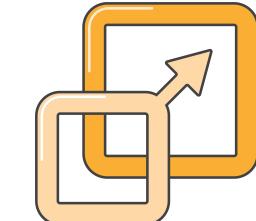
Cost



AWS Cloud



No upfront expense—pay for what you use



Scale up and down



Improve time to market and agility



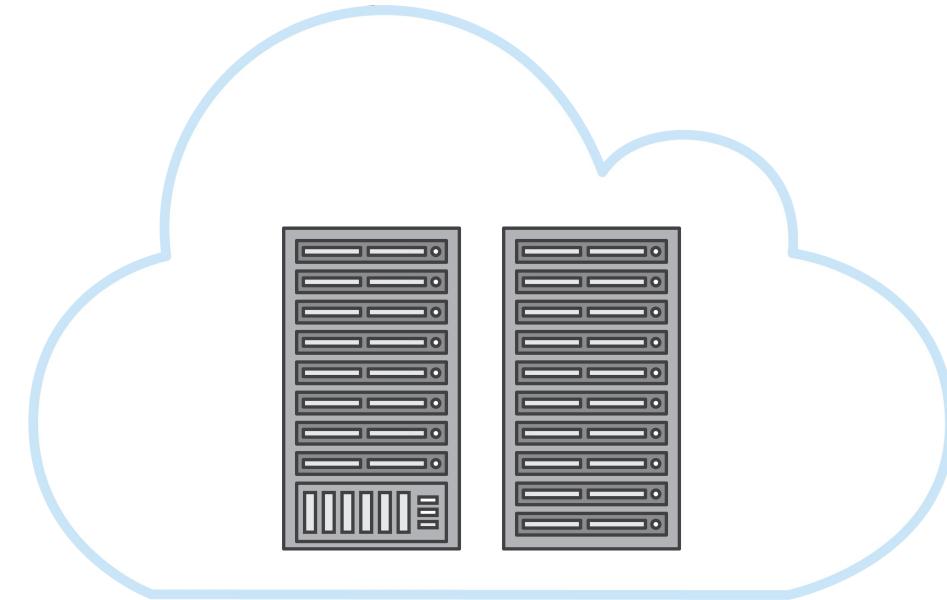
Self-service infrastructure

What is Total cost of Ownership (TCO)?

Total Cost of Ownership (TCO) is the financial estimate to help identify direct and indirect costs of a system.

Why use TCO?

- To compare the costs of running an **entire infrastructure environment or specific workload** on-premises versus on AWS
- To budget and **build the business case** for moving to the cloud



TCO considerations

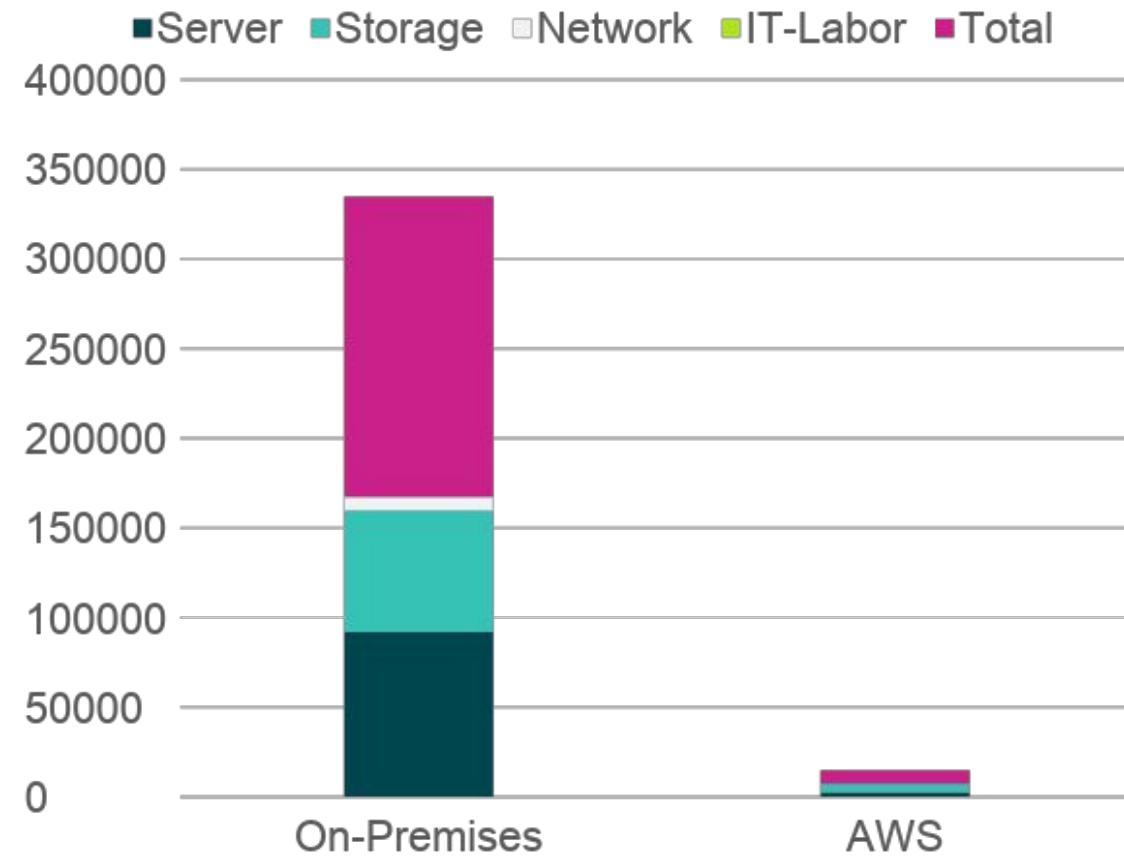
1	Server Costs	Hardware: Server, rack chassis power distribution units (PDUs), top-of-rack (TOR) switches (and maintenance)	Software: Operating system (OS), virtualization licenses (and maintenance)	Facilities cost	Space	Power	Cooling
2	Storage Costs	Hardware: Storage disks, storage area network (SAN) or Fibre Channel (FC) switches	Storage administration costs	Facilities cost	Space	Power	Cooling
3	Network Costs	Network hardware: Local area network (LAN) switches, load balancer bandwidth costs	Network administration costs	Facilities cost	Space	Power	Cooling
4	IT Labor Costs		Server administration costs				

On-premises versus all-in-cloud

You could save up to **96 percent** a year by moving your infrastructure to AWS.
Your 3-year total savings would be **\$159,913**.

3-Year Total Cost of Ownership		
	On-Premises	AWS
Server	\$91,922	\$2,547
Storage	\$67,840	\$4,963
Network	\$7,660	\$-----
IT – Labor	\$ ----- --	\$-----
Total	\$167,422	\$7,509

AWS cost includes business-level support and
a 3-year PURI EC2 instance



AWS Pricing Calculator

Use the AWS Pricing Calculator to:

- Estimate monthly costs
- Identify opportunities to reduce monthly costs
- Model your solutions before building them
- Explore price points and calculations behind your estimate
- Find the available instance types and contract terms that meet your needs
- Name your estimate and create and name groups of services

The screenshot shows the AWS Pricing Calculator homepage. At the top, there's a dark header with the title "AWS Pricing Calculator" and a subtext "Estimate the cost for your architecture solution." Below this is a section titled "How it works" with four steps: 1. "AWS Pricing Calculator" (with a calculator icon) - "Estimate the cost of AWS products and services". 2. "Add services" (with a list icon) - "Search and add AWS services that you need". 3. "Configure service" (with a gear icon) - "Enter the details of your usage to see service costs". 4. "View estimate totals" (with a chart icon) - "See estimated costs per service, service group, and totals". To the right of the main content area, there are three columns: "Create an estimate" (with a "Create estimate" button), "Getting started" (with links to "What is the AWS Pricing Calculator?", "Getting started", and "Generating estimates"), and "More resources" (with links to "User guide", "FAQs", "Pricing assumptions and variations", and "Need help with estimation? Connect with AWS certified expert on AWS IQ").

Access the AWS Pricing Calculator

Reading an estimate

Your estimate is broken into: first 12 months total, total upfront, and total monthly.

AWS Pricing Calculator > My Estimate

My Estimate Info Add service Add support Add group Clear estimate Action ▾ Save and share

First 12 months total	Total upfront	Total monthly
886.92 USD	0.00 USD	73.91 USD

Services (2)

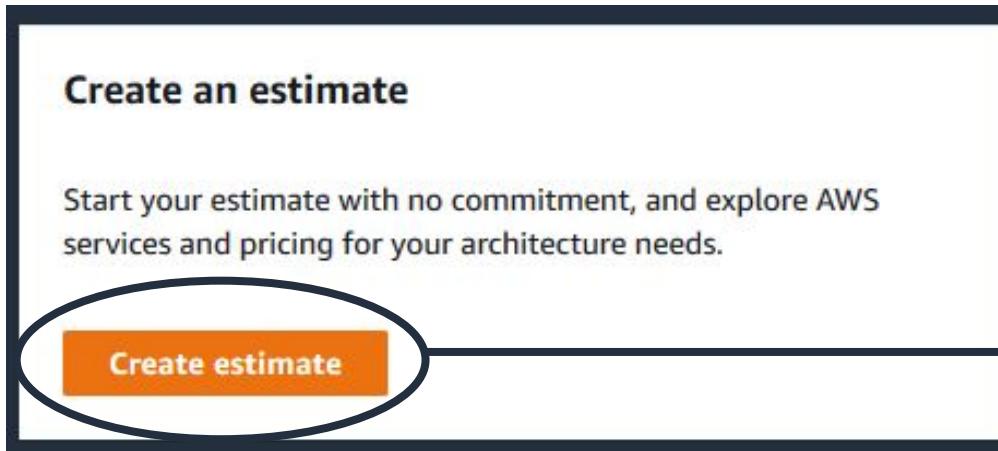
Amazon Simple Storage Service (S3) Region: US East (Ohio)	Edit	Action ▾
S3 Standard storage (100 GB per month)	Monthly:	2.37 USD

Amazon EC2 Region: US East (Ohio)	Edit	Action ▾
Quick estimate <small>Operating system (Linux), Quantity (1), Pricing strategy (EC2 Instance Savings Plans 1 Year No Upfront), Storage for each EC2 instance (General Purpose SSD (gp2)), Storage amount (100 GB), Instance type (t4g.xlarge)</small>	Monthly:	71.54 USD

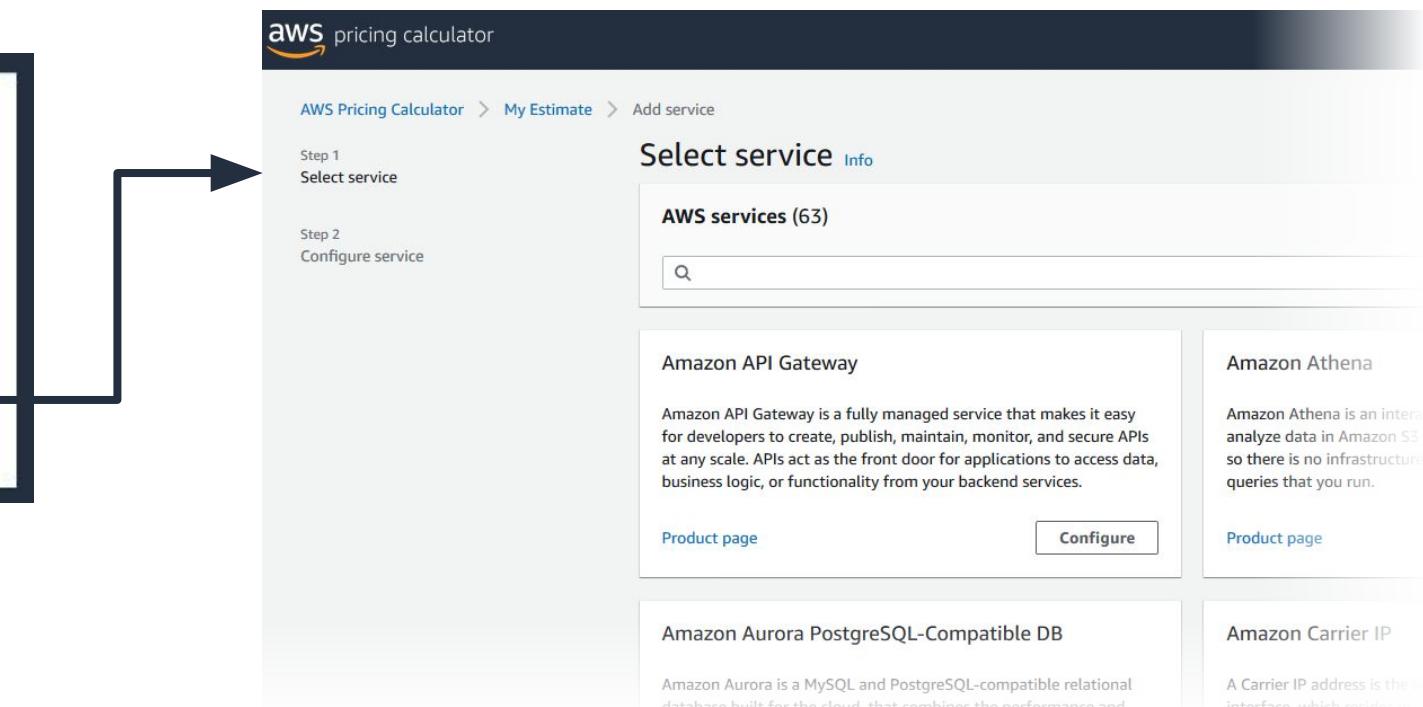
a

Activity: AWS Pricing Calculator activity

- Break up into groups of four or five and use the [AWS Pricing Calculator](#) and specifications provided to develop a cost estimate.
- Be prepared to report your findings back to the class.



AWS Pricing calculator
website



Additional benefit considerations

Hard benefits

- Reduced spending on compute, storage, networking, security
- Reductions in hardware and software purchases (capex)
- Reductions in operational costs, backup, and disaster recovery
- Reduction in operations personnel



Soft Benefits

- Reuse of service and applications that enable you to define (and redefine solutions) by using the same cloud service
- Increased developer productivity
- Improved customer satisfaction
- Agile business processes that can quickly respond to new and emerging opportunities
- Increase in global reach

Case study: Total Cost Of Ownership (1 of 6)



Background:

- Growing global company with over 200 locations
- 500 million customers, \$3 billion annual revenue

Case study: Total Cost of Ownership (2 of 6)



Background:

- Growing global company with over 200 locations
- 500 million customers, \$3 billion annual revenue

Challenge:

- Meet demand to rapidly deploy new solutions
- Constantly upgrade aging equipment

Case study: Total Cost of Ownership (3 of 6)



Background:

- Growing global company with over 200 locations
- 500 million customers, \$3 billion annual revenue

Challenge:

- Meet demand to rapidly deploy new solutions
- Constantly upgrade aging equipment

Criteria:

- Broad solution to handle all workloads
- Ability to modify processes to improve efficiency and lower costs
- Eliminate busy work (such as patching software)
- Achieve a positive return on investment (ROI)

Case study: Total Cost of Ownership (4 of 6)



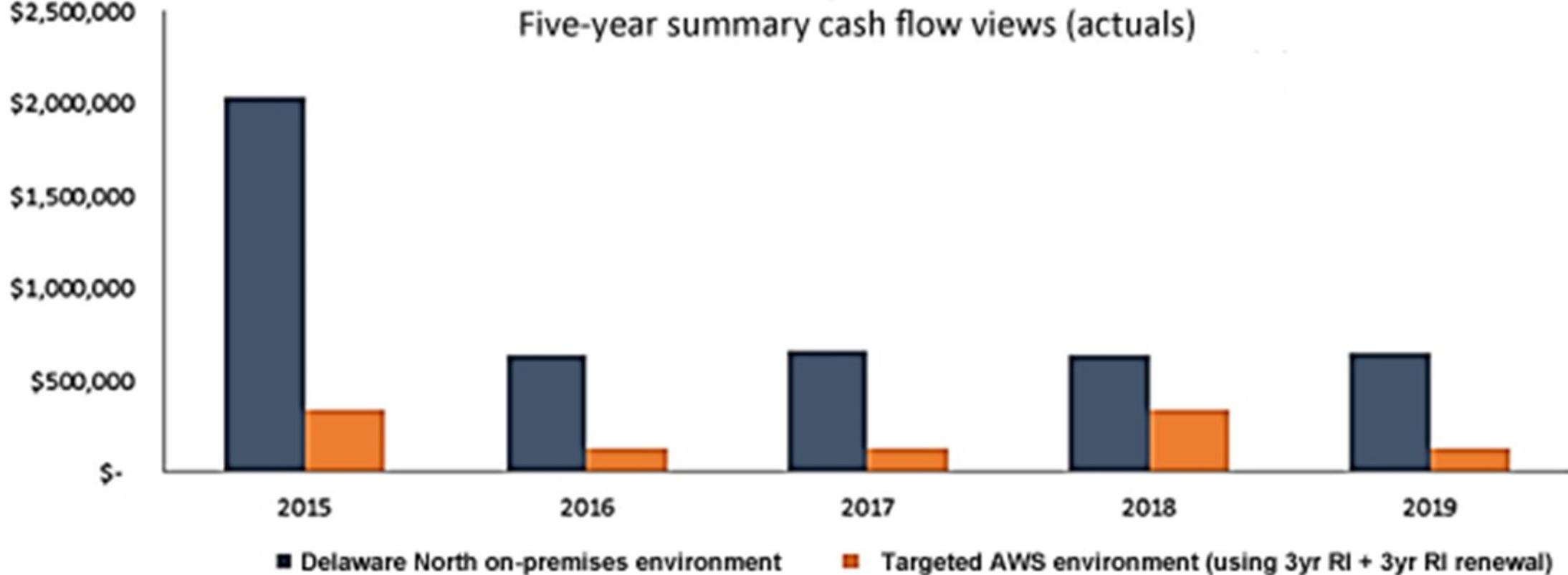
- Background:**
- Is a growing global company with over 200 locations
 - Have 500 million customers, \$3 billion (USD) annual revenue
- Challenge:**
- Meet demand to rapidly deploy new solutions
 - Constantly upgrade aging equipment
- Criteria:**
- Have a broad solution to handle all workloads
 - Be able to modify processes to improve efficiency and lower costs
 - Eliminate busy work (such as patching software)
 - Achieve a positive return on investment (ROI)
- Solution:**
- Moved their on-premises data center to AWS
 - Eliminated 205 servers (90 percent)
 - Moved nearly all applications to AWS
 - Used 3-year Amazon EC2 Reserved Instances

Case study: Total Cost of Ownership (5 of 6)



Cost comparison: On-premises data center vs. AWS

Five-year summary cash flow views (actuals)



Case study: Total Cost of Ownership (6 of 6)



Results:



Resource optimization

- Robust security compliance
- Enhanced disaster recovery
- Increased computing capacity

Speed to market

- One day to provision new businesses
- Just minutes to push out a service

Operational efficiency

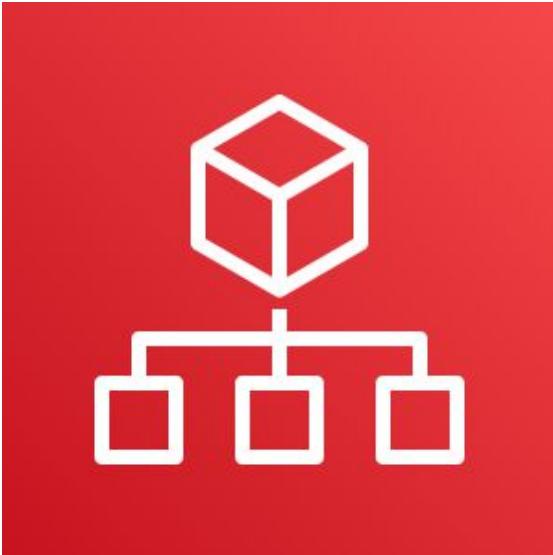
- Continuous cost optimization and reduction

Section 3: AWS Organizations

Module 2: Cloud Economics and Billing

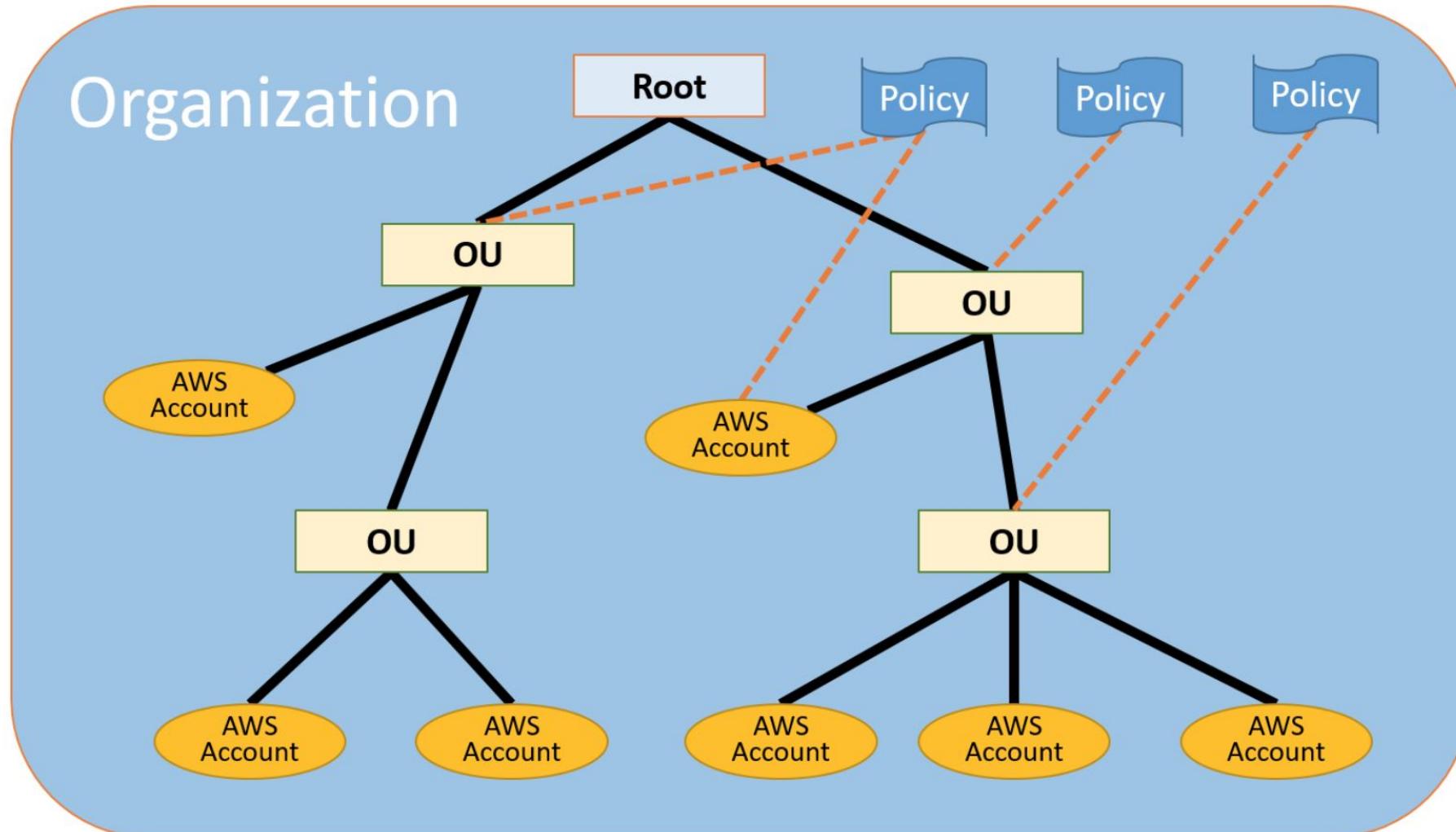


Introduction to AWS Organizations



AWS Organizations

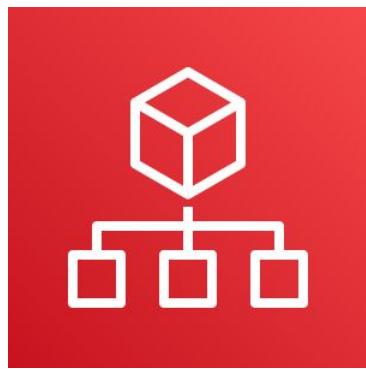
AWS Organizations terminology



*Organizational Units (OUs)



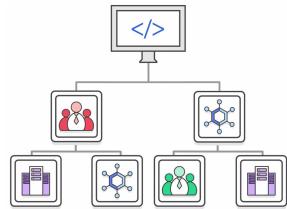
Key features and benefits



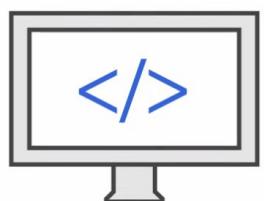
AWS
Organizations



Policy-based account
management



Group based account management

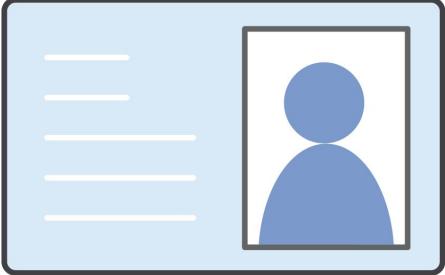


Application programming interfaces
(APIs) that automate account
management



Consolidated billing

Security with AWS Organizations



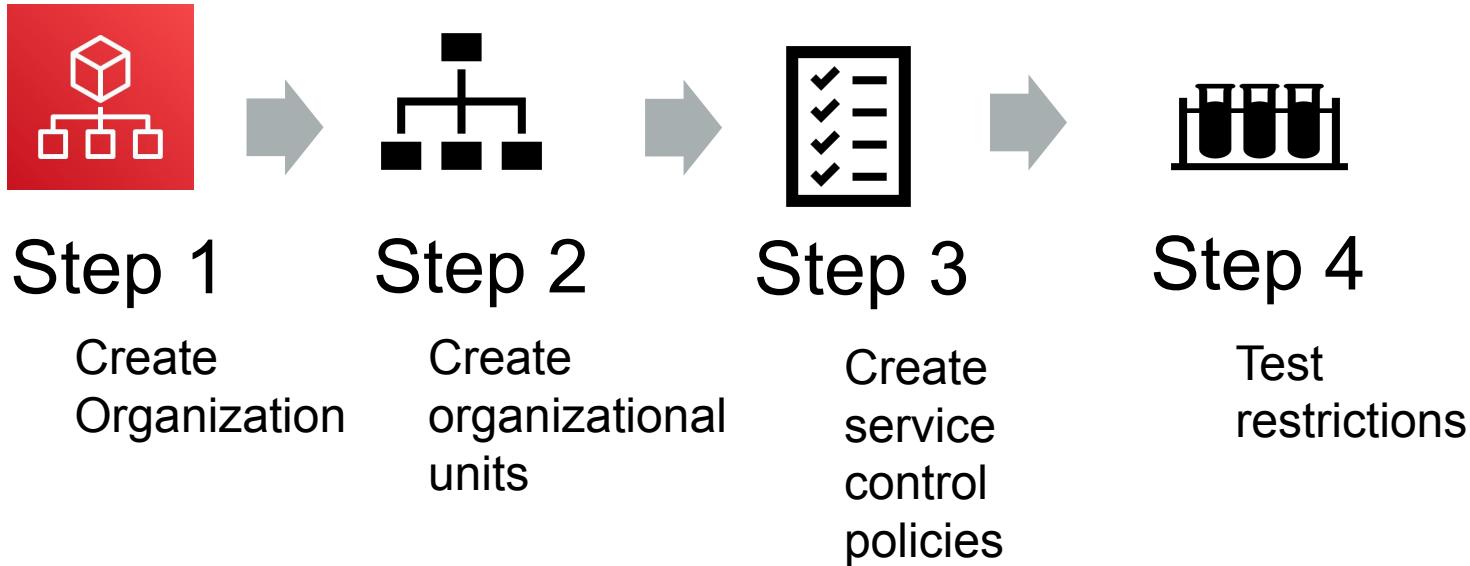
Control access with AWS Identity and Access Management (IAM).

IAM policies enable you to allow or deny access to AWS services for users, groups, and roles.



Service control policies (SCPs) enable you to allow or deny access to AWS services for individuals or group accounts in an organizational unit (OU).

Organizations setup

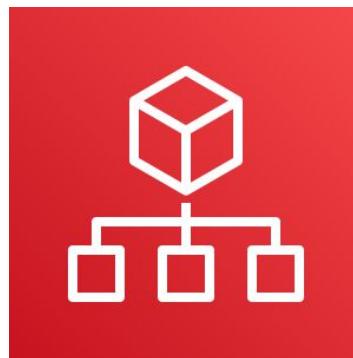


Limits of AWS Organizations

Limits		
Limits on Names	Names must be composed of Unicode characters. Names must not exceed 250 characters in length.	
Maximum and Minimum Values	Number of AWS accounts	Varies. Note: An invitation sent to an account counts against this limit.
	Number of roots	1
	Number of OUs	1,000
	Number of policies	1,000
	Maximum size of a service control policy document	5,120 bytes
	Maximum nesting of OUs in a root	5 levels of OUs under a root
	Invitations sent per day	20
	Number of member accounts you can create concurrently	Only five can be in progress at one time
	Number of entities to which you can attach a policy	Unlimited



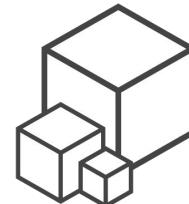
Accessing AWS Organizations



AWS
Organizations



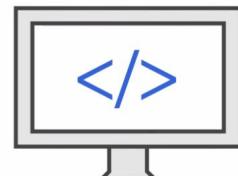
AWS Management Console



AWS Command Line
Interface (AWS CLI) tools



Software development kits
(SDKs)



HTTPS Query application
programming interfaces
(API)

Section 4: AWS Billing and Cost Management

Module 2: Cloud Economics and Billing



Introducing AWS Billing and Cost Management



AWS Billing Dashboard

Billing & Cost Management Dashboard

Spend Summary

Welcome to the AWS Account Billing console. Your last month, month-to-date, and month-end forecasted costs appear below.

Current month-to-date balance for October 2017

\$7,453.41



Cost Explorer

Monthly-to-Date Spend by Service

Bill Details

The chart below shows the proportion of costs spent for each service you use.

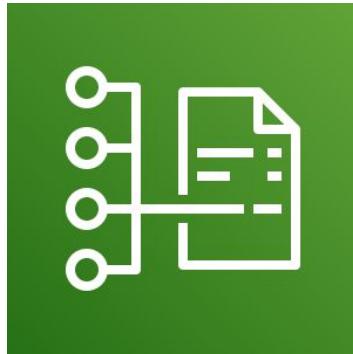


EC2	\$3,700.71
RDS	\$1,876.36
ElastiCache	\$938.18
DynamoDB	\$625.44
Other Services	\$312.57
Tax	\$0.16

Tools



AWS Budgets



AWS Cost and Usage Report



AWS Cost Explorer

Monthly bills

BILLS | COST EXPLORER | BUDGETS | REPORTS

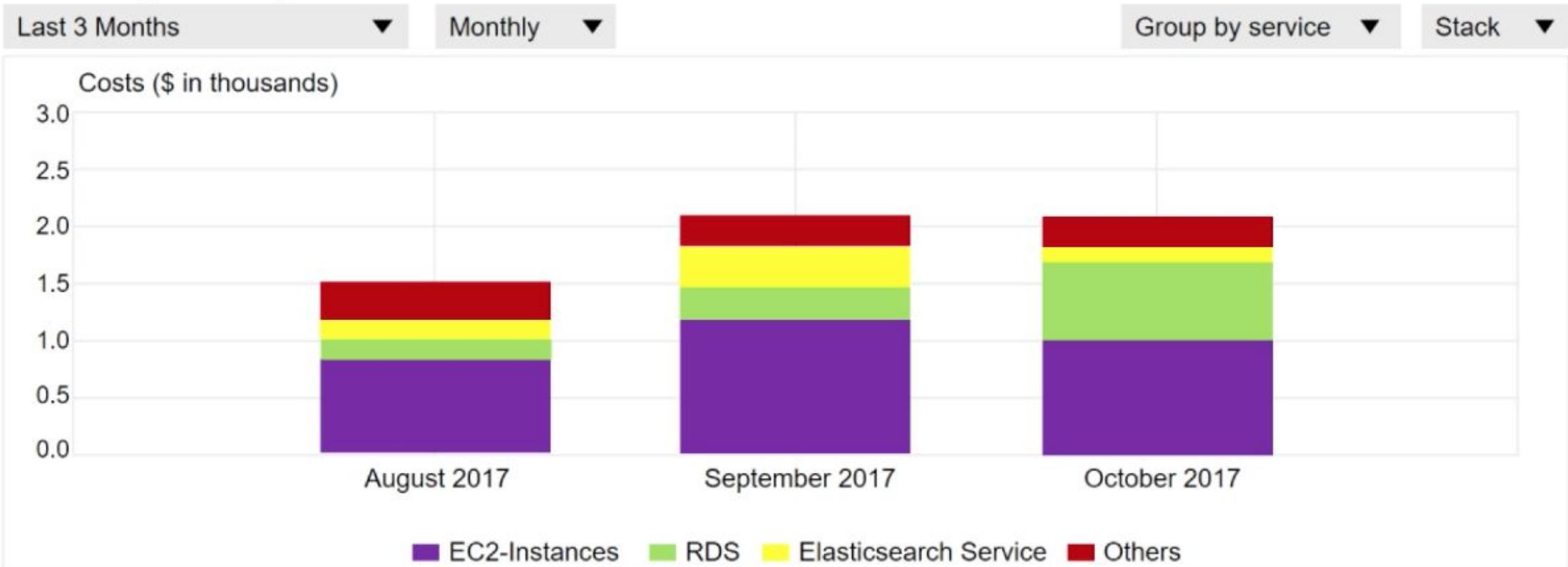
Total	\$7,453.41 USD
AWS Marketplace Charges	\$15.00
▼ Usage Charges and Recurring Fees	\$15.00
Invoice 32342548 – AWS Service Charges: Usage charge for this statement period	2017-10-10
	\$15.00
AWS Service Charges	\$7,438.41
▼ Usage Charges and Recurring Fees	\$7,414.41
Invoice 32342513 – AWS Service Charges: Usage charge for this statement period	2017-10-10
	\$7,414.41
▼ Usage Charges and Recurring Fees	\$24.00
Invoice 32342507 – AWS Service Charges: Subscription charge	2017-10-10
	\$24.00



Cost Explorer

BILLS | COST EXPLORER | BUDGETS | REPORTS

Monthly costs by service



Forecast and track costs

BILLS | COST EXPLORER | **BUDGETS** | REPORTS

Create budget Copy Edit Delete Download CSV

Filter by budget name

	Budget name	Current	Forecasted	Budgeted	Current vs. budgeted	Forecasted vs. budgeted
<input type="checkbox"/>	▶ Total Monthly Cost	\$760.27	\$787.44	\$1,000.00		
<input type="checkbox"/>	▼ S3 Usage Bucket	2978.00 Req	3650.16 Req	3000.00 Req		

Budget details

Start date 10/01/17

End date -

Budget Period Monthly

Variance analysis

Cost and usage reporting

BILLS | COST EXPLORER | BUDGETS | **REPORTS**

Product Code	Usage Type	Operation	Availability Zone	Usage Amount	Currency Code	Line Item Description
Amazon S3	Requests – Tier 1	ListAllMyBuckets		2	USD	\$0.00 per request – PUT, COPY, POST, LIST under the global free tier
Amazon EC2	USW2-Boxusage:t2.micro	Runinstnaces:0002	us-west-2a	1	USD	\$0.00 per Windows t2.micro instance-hour under monthly free tier
Amazon S3	Requests – Tier 1	ListAllMyBuckets		2	USD	\$0.00 per request – PUT, COPY, POST, LIST under the global free tier
Amazon EC2	USW2-Boxusage:t2.micro	Runinstnaces:0002	us-west-2a	1	USD	\$0.00 per Windows t2.micro instance-hour under monthly free tier
Amazon S3	Requests – Tier 1	ListAllMyBuckets		2	USD	\$0.00 per request – PUT, COPY, POST, LIST under the global free tier
Amazon S3	Requests – Tier 1	ListAllMyBuckets		2	USD	\$0.00 per request – PUT, COPY, POST, LIST under the global free tier

Recorded demo:
Amazon Billing
dashboard



Billing dashboard demonstration

i Getting Started with AWS Billing & Cost Management

- Manage your costs and usage using [AWS Budgets](#)
- Visualize your cost drivers and usage trends via [Cost Explorer](#)
- Dive deeper into your costs using the [Cost and Usage Reports with Athena integration](#)
- **Learn more:** Check out the [AWS What's New webpage](#)

Do you have Reserved Instances (RIs)?

- Access the RI Utilization & Coverage reports—and RI purchase recommendations—via [Cost Explorer](#).

Spend Summary

Welcome to the AWS Billing & Cost Management console. Your last month, month-to-date, and month-end forecasted costs appear below.

Current month-to-date balance for September 2019

\$168.20

A bar chart titled "Spend Summary" showing monthly spending. The Y-axis ranges from \$0 to \$320. The X-axis categories are "Last Month", "Month-to-Date", and "Forecast". The "Last Month" bar is blue and reaches \$304.69. The "Month-to-Date" bar is blue and reaches \$168.2. The "Forecast" bar is green and reaches \$284.01. All bars have their exact values labeled on top.

Cost Explorer

The chart below shows the proportion of costs spent for each service you use.

Month-to-Date Spend by Service

Bill Details

A donut chart titled "Month-to-Date Spend by Service" showing the distribution of \$168.2 across various AWS services. The chart is divided into four segments: ES (blue), DatabaseMigrationSvc (green), SageMaker (yellow), and EC2 (orange). The total value of \$168.2 is displayed in the center of the donut.

Service	Cost
ES	\$74.52
DatabaseMigrationSvc	\$32.12
SageMaker	\$29.99
EC2	\$16.59
Other Services	\$14.98
Tax	\$0.00
Total	\$168.20

aws

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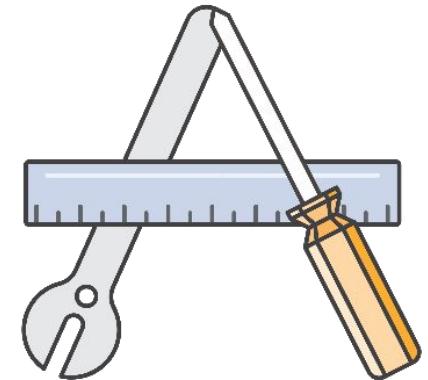
Section 5: Technical support

Module 2: Cloud Economics and Billing



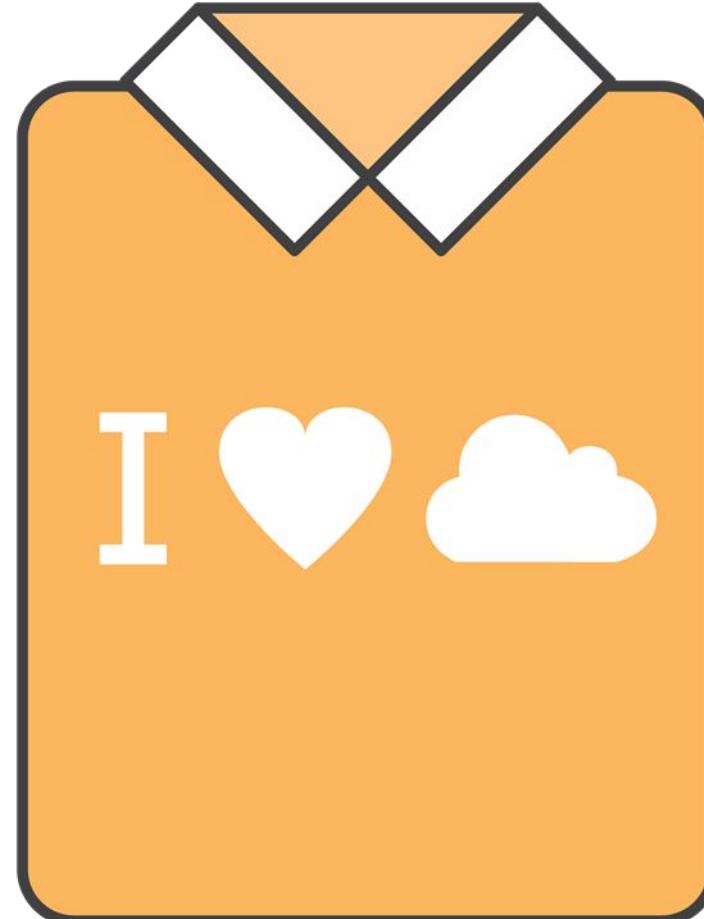
AWS support (1 of 2)

- Provide unique combination of tools and expertise:
 - AWS Support
 - AWS Support Plans
- Support is provided for:
 - Experimenting with AWS
 - Production use of AWS
 - Business-critical use of AWS



AWS support (2 of 2)

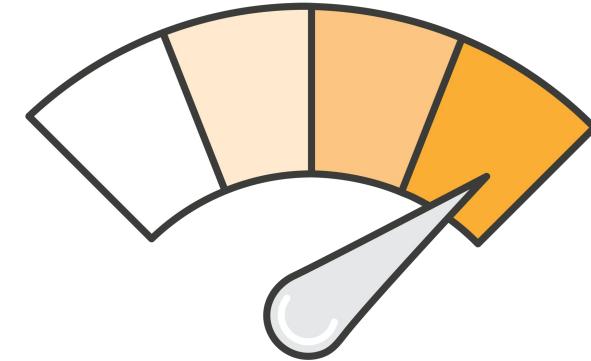
- Proactive guidance :
 - Technical Account Manager (TAM)
- Best practices :
 - AWS Trusted Advisor
- Account assistance :
 - AWS Support Concierge



Support plans

AWS Support offers four support plans:

- **Basic Support** – Resource Center access, Service Health Dashboard, product FAQs, discussion forums, and support for health checks
- **Developer Support**: Support for early development on AWS
- **Business Support**: Customers that run production workloads
- **Enterprise Support**: Customers that run business and mission-critical workloads



Case severity and response times

	Critical	Urgent	High	Normal	Low
Basic	No Case Support				
Developer Plan (Business hours)				12 hours or less	24 hours or less
Business Plan (24/7)		1 hour or less	4 hours or less	12 hours or less	24 hours or less
Enterprise Plan (24/7)	15 minutes or less	1 hour or less	4 hours or less	12 hours or less	24 hours or less

Activity: Support plan scavenger hunt

- Break up into groups of four or five and develop a recommendation for the best support plan for one of the business cases that are provided.
- Be prepared to report your findings back to the class.

Module wrap-up

Module 2: Cloud Economics and Billing



Module summary

- Explored the fundamental of AWS pricing
- Reviewed TCO concepts
- Reviewed an AWS Pricing Calculator estimate
- Reviewed the Billing dashboard
- Reviewed Technical Support options and costs

Complete the knowledge check



Sample exam question

Which AWS service provides infrastructure security optimization recommendations?

Choice Response

- A AWS Price List Application Programming Interface (API)
- B Reserved Instances
- C AWS Trusted Advisor
- D Amazon Elastic Compute Cloud (Amazon EC2) Spot Fleet

Sample exam question answer

Which AWS service provides infrastructure security optimization recommendations?

The correct answer is C.

The keyword in the question is “recommendations”.

Additional resources

- AWS Economics Center: <http://aws.amazon.com/economics/>
- AWS Pricing Calculator: <https://calculator.aws/#/>
- Case studies and research: <http://aws.amazon.com/economics/>
- Additional pricing exercises: <https://dx1572sre29wk.cloudfront.net/cost/>

Thank you

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