AWS Pricing Models

Amazon EC2 provides cloud based compute resources designed especially for scalability .

This service comes with a user friendly interface .that provides complete control over cloud resources

AWS provides five pricing models, which can help you optimize costs and plan budgets according to specific use cases. You can use one or more of these models when planning your AWS project.

On-Demand

AWS lets you use EC2 compute instances with on-demand pricing, and pay by the hour or by the second.

This pricing model enables you to spin up instances without paying for anything in advance.

You can quickly terminate these instances as needed, and pay for the resources you used.

This option provides a high level of flexibility and scalability, and is ideal for new AWS users testing the environment or for unpredictable workloads.

However, on-demand instances are more expensive and can quickly accumulate costs.

Spot Instances

[AWS Spot Instances](https://spot.io/what-are-ec2-spot-instances/) can help you significantly reduce costs on computing capacity,

because these instances are offered at up to 90% off the on-demand price.

This model offers the largest potential cost-savings, especially when you need to scale quickly.

However, spot instances can be challenging to use for some fault-sensitive workloads.

A spot instance may be terminated at any time, whenever AWS needs this compute capacity.

You get a two minutes warning before your instance is terminated.

Reserved Instances

[Reserved Instances (RIs) pricing](https://spot.io/blog/reserved-instances-the-complete-guide/) offers significant discounts in return for committing to use AWS for a long period of time—1 or 3 years. AWS offers several ways to pay for RIs,

including no upfront, partial upfront, and all upfront.

It is relatively less complex to set up and maintain RIs, compared to spot instances.

However, you are billed for all reserved instances, even if you do not use all capacity.

Saving Plans

[AWS Saving Plans](https://spot.io/what-are-aws-savings-plans/) offer a significant discount in return for committing to use AWS resources for a longer period of time. However,

Savings Plans let you make an hourly spend commitment, and then applies a discount rate, which is subtracted from your on-demand usage.

Unlike RIs, Saving Plans are consolidated across resources, which means you can leverage several discounts across your AWS account.

Dedicated Hosts

AWS lets you rent physical servers, which are called Dedicated Hosts.

This option is considered highly secured and reliable, because you have the entire server for your private use.

When renting a Dedicated Host, you do not need to do administrative tasks.

AWS cleans and maintains the hardware. However, Dedicated Hosts are more expensive, and is mainly within the budget of enterprises.