**On-Demand Instances:**

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Instances that you pay for as and when you need.

pay-as-you-go” instances, which you can be charged for either by the hour or by the second.

Buy as much cloud computing capacity as you need, whenever you need it, with no long-term commitment.

When you don’t need it anymore, you withdraw your workloads and cancel the instances, increasing or decreasing your cloud capacity as your computing needs change.

**Reserved Instances:**

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Reserved Instances are configured almost exactly like On-Demand Instances.

when you need, you “reserve” instances for either one year or three years.

Reserved Instances offer pretty significant discounts compared to On-Demand instances.

There are **two types** of Reserved Instances:

**Standard Reserved Instances**, you can only use instances from within one instance family, on the same operating system.

**Convertible Reserved Instances**, you can use instances from different families and on different operating systems.

Convertible Reserved Instances give you a lot more flexibility but they’re also slightly more expensive than Standard Reserved Instances.

**Spot Instances:**

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Cloud providers need to keep some space capacity available, in case there’s a huge surge in demand from customers — but for much of the time, that spare capacity just sits unused.

When you buy a Spot Instance, you’re essentially borrowing excess capacity from your cloud provider for a certain period. “Borrowing” is the operative word here.

If demand goes up and your cloud provider needs that extra capacity, they’ll take it back — often with less than a minute’s notice before your workloads disappear.

REF: <https://www.incredibuild.com/blog/whats-the-difference-between-on-demand-reserved-and-spot-instances>