The hidden costs of metered AI

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A cloud AI API looks inexpensive per call. You pay for what you use, and a single request costs a fraction of a cent. The trouble is that per-token pricing is a meter, and the real cost of a metered, external dependency has parts that do not show up on the first invoice. This briefing names them, and sets them against a fixed licence on your own infrastructure.

The meter

Per-token pricing means your bill scales with use, and use only grows as AI gets embedded in more workflows. What starts as an experiment becomes a line in every process, and the meter runs on all of it. Budgeting turns into forecasting, and the forecast is a function of adoption, which is the thing you are trying to encourage. Capping the bill means capping usefulness, which is the wrong lever to reach for.

Moving the data

AI workloads move a lot of data: documents to index, context to send with each prompt, results to bring back. Cloud providers commonly charge for data leaving their network, so a workload that is chatty across the boundary carries a transfer cost on top of the per-token one. The more useful the system, the more it moves, and the more both meters turn.

The data you hand over

The larger cost is not on the invoice at all. Sending prompts and documents to a hosted model means your data is processed by a third party. Even with good contracts, the data has left your boundary, and that is a cost in review, in risk, and sometimes in what you are permitted to do with regulated or confidential material at all. Depending on the provider and the tier, the terms may allow the submitted data

to be retained or used to improve the service unless you actively opt out. Reading, negotiating, and monitoring those terms is itself a recurring cost.

Governing a moving target

A metered external service is something you have to keep governing. Rate limits shape what you can build. Models are deprecated and replaced on the provider's schedule, not yours. Prices and terms change. Each change means a review, and often a contract. The dependency is not a fixed thing you bought once; it is a relationship you maintain.

The fixed-licence alternative

A licence on your own infrastructure changes the shape of the cost. The meter becomes a fixed number: usage can grow without the bill growing with it, so adoption is something to encourage rather than ration. The data never leaves, so the transfer cost and the data-handover cost simply do not arise, and with them go the terms to read and the risk to review. There is one dependency to govern, on your own schedule.

The honest comparison

On-premise is not free. There is hardware to buy and operations to run, and for a small, occasional workload a metered API can be the cheaper choice on a spreadsheet. The argument is not that sovereign AI always wins on price. It is that its costs are the ones you can see and control, a fixed licence and your own infrastructure, rather than a meter, plus a transfer charge, plus a data-sharing arrangement, plus an external dependency that keeps changing. For a regulated organization running AI at any real scale, the visible, fixed cost is usually the one worth having.